

MASS. T 1.2: T 66



Fitch IBCA, Inc.: AA-  
 Moody's Investors Service: Aa2  
 Standard & Poor's Ratings Services: AA-  
 (See "Ratings" herein)

NEW ISSUE 312066 0270 3558 3

In the opinion of Bond Counsel, under existing law and assuming continued compliance with the Internal Revenue Code of 1986, as amended, interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. See "Tax Exemption" herein.

**\$69,810,000****TOWN OF FOXBOROUGH, MASSACHUSETTS****FOXBORO STADIUM INFRASTRUCTURE IMPROVEMENT BONDS**

Dated: June 1, 2000

Due: June 1, as shown below

The Bonds are issuable only as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 each or any multiple thereof, as more fully described herein. Interest on the Bonds will be payable semiannually on June 1 and December 1 of each year commencing December 1, 2000. The Bonds will be subject to optional and mandatory redemption prior to maturity as described herein.

The Bonds will be issued and secured under and pursuant to Chapter 16 of the Acts of 1999 of The Commonwealth of Massachusetts, as amended, and a Trust Indenture dated as of June 1, 2000 between the Town of Foxborough, acting by and through its Industrial Development Financing Authority, and The Chase Manhattan Bank, as Trustee.

The Bonds will be special obligations of the Town payable solely from contract assistance payments to be made to the Trustee for the account of the Town by The Commonwealth of Massachusetts and certain other funds pledged under the Indenture. In the opinion of Bond Counsel, the obligation of the Commonwealth to make such contract assistance payments to the Trustee constitutes a general obligation of the Commonwealth, for which its full faith and credit are pledged. However, for information regarding certain statutory limits on state tax revenue growth and on expenditures for debt service, see "Security for the Bonds" herein.

**MATURITIES, AMOUNTS, RATE AND YIELDS****\$47,165,000 Serial Bonds**

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2001	\$1,305,000	5.00%	4.45%	2011	\$2,270,000	5.75%	5.15%
2002	1,480,000	4.60	4.62	2012	2,400,000	5.50	5.20
2003	1,550,000	4.625	4.70	2013	2,535,000	6.00	5.28
2004	1,620,000	4.70	4.77	2014	2,685,000	6.00	5.35
2005	1,695,000	4.75	4.82	2015	2,845,000	6.00	5.41
2006	1,775,000	4.75	4.87	2016	3,015,000	6.00	5.47
2007	1,860,000	4.875	4.93	2017	3,195,000	6.00	5.53
2008	1,950,000	4.90	4.99	2018	3,390,000	6.00	5.58
2009	2,050,000	5.00	5.02	2019	3,590,000	6.00	5.63
2010	520,000	5.00	5.08	2020	3,805,000	6.00	5.66
2010	1,630,000	5.75	5.08				

**\$22,645,000 5.75% Term Bonds Due June 1, 2025 to Yield 5.82%**

(Accrued interest to be added)

The Bonds will be offered, when, as and if issued and accepted by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and opinions as to legality and certain other matters by Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Town by its counsel, Gelerman, Cashman & Donahue, Dedham, Massachusetts, for the Commonwealth by its disclosure counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, and for the Underwriters by their counsel, Foley, Hoag & Eliot LLP, Boston, Massachusetts. The Bonds are expected to be available for delivery to DTC in New York, New York, or its custodial agent, on or about June 29, 2000.

**MORGAN STANLEY DEAN WITTER****FIRST ALBANY CORPORATION****SALOMON SMITH BARNEY**

June 21, 2000

No dealer, broker, salesman or other person has been authorized by the Town of Foxborough, The Commonwealth of Massachusetts or the Underwriters to give any information or to make any representations other than as contained in this Official Statement and the Appendices hereto in connection with the offering described herein, and if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any securities other than those identified on the cover page or an offer to sell or a solicitation of an offer to buy such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The Town of Foxborough and the Foxborough Industrial Development Financing Authority have furnished the information contained in this Official Statement under the caption "The Town and the Authority" and "Litigation" (insofar as such information relates to the Town or the Authority). The Commonwealth of Massachusetts has furnished the information contained in this Official Statement under the caption "Litigation" (insofar as such information relates to the Commonwealth) and "Additional Information" and in Appendix A hereto. All other information contained in this Official Statement has been obtained from The Depository Trust Company and other sources that are believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information and nothing contained in this Official Statement is to be construed as a representation by the Underwriters. The information and expression of opinions set forth herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to herein since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

## TABLE OF CONTENTS

	PAGE
INTRODUCTORY STATEMENT .....	1
THE TOWN AND THE AUTHORITY .....	1
SECURITY FOR THE BONDS .....	2
THE BONDS .....	3
THE DEPOSITORY TRUST COMPANY .....	5
APPLICATION OF BOND PROCEEDS.....	7
THE INFRASTRUCTURE IMPROVEMENTS .....	7
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTRACT .....	9
LITIGATION .....	14
TAX EXEMPTION.....	14
LEGALITY OF BONDS FOR INVESTMENT AND DEPOSIT .....	15
RATINGS.....	15
UNDERWRITING .....	15
LEGAL MATTERS.....	16
ADDITIONAL INFORMATION.....	16
CONTINUING DISCLOSURE.....	16
MISCELLANEOUS .....	17
 APPENDIX A – Commonwealth of Massachusetts Information Statement Supplement.....	 A-1
APPENDIX B – Form of Bond Counsel Opinion .....	B-1
APPENDIX C – Summary of Continuing Disclosure Undertakings .....	C-1



## **OFFICIAL STATEMENT**

**\$69,810,000**

### **TOWN OF FOXBOROUGH FOXBORO STADIUM INFRASTRUCTURE IMPROVEMENT BONDS**

#### **INTRODUCTORY STATEMENT**

This Official Statement, including the cover and the Appendices hereto, sets forth certain information concerning the \$69,810,000 Town of Foxborough, Foxboro Stadium Infrastructure Improvement Bonds (the "Bonds") to be issued by the Town of Foxborough (the "Town") pursuant to Chapter 16 of the Acts of 1999 of the Commonwealth, as amended ("Chapter 16"), and Chapter 40D of the General Laws of the Commonwealth ("Chapter 40D" and, together with Chapter 16, the "Act") for the purpose of financing the design and construction of Infrastructure Improvements (as hereinafter defined) to support a 68,000 seat, open-air stadium (the "New Patriots Stadium") under construction in the Town to serve as the new home field of the New England Patriots, a National Football League franchised professional football team (the "Patriots"). See "The Infrastructure Improvements" herein.

The Bonds will be issued and secured under the Act and a Trust Indenture dated as of June 1, 2000 (the "Indenture") between the Town, acting by and through the Foxborough Industrial Development Financing Authority (the "Authority"), and The Chase Manhattan Bank, as Trustee (the "Trustee"). The Bonds will be special obligations of the Town payable solely from the Trust Assets pledged under the Indenture including payments ("Contract Assistance Payments") made by The Commonwealth of Massachusetts (the "Commonwealth") pursuant to the Contract for Financial Assistance dated as of June 1, 2000 (the "Contract") between the Town and the Commonwealth. Pursuant to the Contract, the Commonwealth has agreed to make Contract Assistance Payments to the Trustee for the account of the Town in amounts and at times sufficient to pay in full the principal of, premium, if any, and interest on, the Bonds as the same shall become due and payable. See "Security for the Bonds" herein.

This Official Statement contains descriptions of the Town, the Authority, the Bonds, the Indenture, the Contract and certain other subjects. Capitalized terms which are not otherwise defined are defined below under "Summary of Certain Provisions of the Indenture and the Contract." For certain information concerning the Commonwealth, see "Additional Information" below and Appendix A - "Commonwealth of Massachusetts Information Statement Supplement."

#### **THE TOWN AND THE AUTHORITY**

The Town is a body politic and corporate and political subdivision of the Commonwealth located approximately 24 miles south of the City of Boston. The Authority is the Town's industrial development financing board established by Chapter 40D. Pursuant to the Act, the Town, acting by and through the Authority, is authorized and empowered to enter into the Indenture and to issue the Bonds for the purpose of financing costs of the Infrastructure Improvements.

Local legislative decisions in the Town are made by a town meeting open to all residents. Subject to the legislative decisions made by town meetings, the affairs of the Town are generally administered by a three member Board of Selectmen. The current members of the Board of Selectmen of the Town and their business affiliations are as follows:

<u>Name</u>	<u>Affiliation</u>
Kevin Weinfeld <i>Chairman</i>	President, Mayfair Realty and Development Corporation Foxborough, Massachusetts
Michael Coppola	Principal, Foxborough Management Services Foxborough, Massachusetts
Charles Masison	Self-employed businessman Foxborough, Massachusetts

The Authority is governed by a five-member board of directors appointed by the Board of Selectmen for staggered, five year terms. At least one director must be experienced in financial matters, one in real estate matters and one in town or city government. The current directors of the Authority and their business affiliations are as follows:

<u>Name</u>	<u>Affiliation</u>
James W. Evans, Jr. <i>Chairman</i>	Vice President, J.H. Albert International Insurance Advisors, Inc. Needham Heights, Massachusetts
Donald J. Schmidt <i>Clerk</i>	Principal Planner, Massachusetts Department of Housing & Community Development Boston, Massachusetts
Barnett D. Ovrut	Attorney, Morrison, Mahoney & Miller, LLP Boston, Massachusetts
Mark T. Stopa	Attorney, Grady & Stopa, LLC Foxborough, Massachusetts
William J. Walsh	Certified Financial Planner Foxborough, Massachusetts

## SECURITY FOR THE BONDS

The Bonds will be special obligations of the Town payable solely from the Trust Assets created by the Indenture. The Trust Assets will consist of the assigned rights of the Town to receive Contract Assistance Payments from the Commonwealth pursuant to the Contract in an amount equal to the principal and interest requirements on the Bonds on their due dates, and all amounts held in the Debt Service Fund established under the Indenture. Investment earnings on moneys held under the Indenture will be paid to the Commonwealth upon receipt and will not be part of the Trust Assets pledged under the Indenture. Other revenues or physical assets of the Town and the Patriots, including without limit the original proceeds of the Bonds, the Infrastructure Improvements, the New Patriots Stadium and any revenues therefrom will not be pledged or subject to a mortgage or lien in favor of the Trustee for the benefit of the owners of the Bonds. The Bonds are not subject to acceleration in the case of any default thereunder or under the Indenture.

The Commonwealth has agreed pursuant to the Contract to make Contract Assistance Payments to the Trustee for the account of the Town no later than one Business Day prior to each interest payment date and principal payment date of the Bonds in amounts sufficient to provide for the full amount of principal, premium, if any, and interest due on the Bonds on such dates. Pursuant to the Indenture, the Town has assigned to the Trustee its rights to receive Contract Assistance Payments from the Commonwealth. The Commonwealth's Contract Assistance Payment obligation is



expressly authorized by the Act for all debt service requirements on up to \$70 million of bonds issued to provide for costs related to the Infrastructure Improvements. The Bonds are the only such bonds to be issued.

In the opinion of Bond Counsel, the obligation of the Commonwealth to make Contract Assistance Payments pursuant to the Contract is a general obligation of the Commonwealth and the full faith and credit of the Commonwealth are pledged to make such payments. However, Chapter 62F of the Massachusetts General Laws established a state tax revenue growth limit and does not exclude the Commonwealth's Contract Assistance Payment obligation from the scope of the limit. The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, which term includes the Commonwealth's agreement to provide Contract Assistance Payments and all claims pursuant thereto. Pursuant to the Indenture, the Trustee is authorized to sue the Commonwealth on behalf of the holders of the Bonds in the event Contract Assistance Payments required by the Indenture are not made on a timely basis by the Commonwealth. Payment by the State Treasurer of Contract Assistance Payments under the Contract requires legislative appropriation. In the opinion of Bond Counsel, the absence of a legislative appropriation of amounts needed for Contract Assistance Payments would not constitute a defense for the Commonwealth in the event of a suit against the Commonwealth for breach of the Contract. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment and the satisfaction of any judgment requires legislative appropriation. Enforcement of a claim for payment of amounts due under the Contract may also be subject to the provisions of federal or Commonwealth statutes, if any, hereafter enacted extending the time for payment or imposing other constraints upon enforcement, insofar as the same may be constitutionally applied.

The obligation of the Commonwealth to make Contract Assistance Payments is absolute and unconditional. Without limiting the generality of the foregoing, the Commonwealth has no lawful power to set off Contract Assistance Payments against any obligation due it from the Town, the Authority or any other person and no lawful power to impose conditions on payment of Contract Assistance Payments under the Contract. The Act also provides that the Town may pledge Contract Assistance Payments as security for the payment of the Bonds.

The Bonds do not constitute a general obligation of the Town or the Commonwealth or a debt or pledge of the faith and credit or the taxing power of the Town or the Commonwealth or any political subdivision thereof, but are payable solely from the Contract Assistance Payments and other funds specifically pledged for their payment in accordance with the Indenture. The Bonds do not constitute an obligation of the Patriots, NPS LLC, Foxboro Realty Associates LLC or any of their affiliates.

Any prospective purchaser of the Bonds should take into consideration the financial position of the Commonwealth in making an investment decision with respect to the Bonds. See "Additional Information" herein and Appendix A – "Commonwealth of Massachusetts Information Statement Supplement."

## THE BONDS

### General

The Bonds will be dated June 1, 2000, and will bear interest from such date, payable on June 1 and December 1 in each year, commencing December 1, 2000 at the rates per annum shown on the cover page of this Official Statement. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will mature on June 1 in the years and in the principal amounts shown on the cover page of this Official Statement. The principal or redemption price of the Bonds will be payable at the designated corporate trust agency office of the Trustee. Interest on the Bonds will be paid by the Trustee to the registered owner as of the applicable record date. The Indenture establishes the fifteenth day of the month preceding each interest payment date (or if such day is not a business day, the next preceding business day) as the record date for such interest payment date.

As long as the Bonds are registered in book-entry only form, principal and interest will be payable solely to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as the sole registered owner of the Bonds. See "The Depository Trust Company - Book-Entry Only System" herein. If Bonds are issued in certificated form, interest on the Bonds will be payable thereafter to the person appearing on the registration books of the Trustee as the registered owner thereof on the applicable record date by check or draft mailed on the interest payment date to the registered owner or, following appropriate notice to the Trustee, by wire transfer on the interest payment date to any owner of at least \$1,000,000 in aggregate principal amount of the Bonds.

## Redemption Provisions

### Mandatory Redemption

The Bonds maturing on June 1, 2025 are subject to mandatory sinking fund redemption at their principal amounts, without premium, plus accrued interest to the redemption date on June 1 in each of the years and in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2021	\$4,035,000
2022	4,270,000
2023	4,515,000
2024	4,775,000
2025†	5,050,000

†Final maturity.

For the purposes of effecting said mandatory redemptions prior to maturity, the Trustee on behalf of the Authority and without necessity for further action by the Town or the Authority, shall cause to be redeemed, in the manner provided under the heading "Notice of Redemption and Other Notices," on each mandatory redemption date, such an aggregate principal amount of the Bonds of a maturity as equals the mandatory sinking fund requirements for such maturity on the applicable mandatory redemption date. The selection of such Bonds or portions thereof shall be made as provided under the heading "Selection of Bonds to be Redeemed."

The Town, at the direction of the Commonwealth, may purchase Bonds and credit them against any sinking fund installment at the principal amount thereof by delivering them to the Trustee for cancellation at least sixty (60) days before the applicable sinking fund redemption date.

### Optional Redemption

The Bonds maturing on or before June 1, 2010 are not subject to redemption prior to maturity. The Bonds maturing after June 1, 2010 are subject to redemption prior to maturity in whole or in part on any date on and after June 1, 2010, at the option of the Town upon the direction of the Commonwealth and in such order of maturity or sinking fund installments as shall be directed by the Commonwealth, at the following redemption prices (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
June 1, 2010 to May 31, 2011, inclusive	101%
June 1, 2011 and thereafter	100

### Selection of Bonds to be Redeemed

In the event that less than all of any maturity of the Bonds is to be redeemed, and so long as the book-entry-only system remains in effect for the Bonds, the particular Bonds or portion of any such Bonds of a particular maturity to be redeemed will be selected by DTC by lot. If the book-entry-only system no longer remains in effect for the Bonds, selection for redemption of less than all of any one maturity of the Bonds will be made by the Trustee by lot in such manner as in its discretion it shall deem appropriate and fair. For purposes of selection by lot within a maturity, each \$5,000 of principal amount of a Bond will be considered a separate Bond. If any of the Bonds to be redeemed are Bonds for which sinking fund installments have been established, the Town, at the direction of the Commonwealth, shall select the dates and amounts by which such sinking fund installments are to be reduced.



### Notice to Bondowners

Notice of redemption of Bonds shall be mailed, not less than thirty (30) nor more than sixty (60) days prior to the date of redemption, to the registered owners of the Bonds, or portions thereof, so called, but the failure to so mail such notice with respect to any particular Bonds shall not affect the validity of such call for redemption of any Bonds with respect to which no such failure has occurred. All Bonds called for redemption will cease to bear interest on the specified redemption date, provided funds sufficient for the redemption of such Bonds in accordance with the Indenture are on deposit with the Trustee. If such moneys are not available on the redemption date, the Bonds or portions thereof will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption.

## **THE DEPOSITORY TRUST COMPANY**

### **Book-Entry Only System**

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the principal amount of such maturity, and will be deposited with DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry only system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as maybe in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a single maturity of an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts for customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, the Authority or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Town, the Trustee or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and is believed to be reliable, but neither the Town nor the Underwriters takes responsibility for the accuracy thereof.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

#### **No Responsibility of Town, Authority and Trustee**

NONE OF THE TOWN, THE AUTHORITY, THE COMMONWEALTH OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDOWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

#### **Certificated Bonds**

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Town and the Trustee. In addition, the Trustee may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners. If for either reason the Book-Entry Only system is discontinued, Bond certificates will be delivered as described in the Indenture and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondowner. Thereafter, Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the designated corporate trust agency office of the Trustee. The transfer of any Bond may be registered on the books maintained by the Trustee for such purpose only upon the assignment in the form satisfactory to the Trustee. For every exchange or registration of transfer of Bonds, the Town and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the Bondowner for any exchange or registration of transfer of the Bonds. The Trustee will not be required to transfer or exchange any Bond (i) if such Bond (or any portion thereof) has been selected for redemption, (ii) during the ten (10) days preceding any date fixed for selection for redemption if such Bond (or any portion thereof) is eligible to be selected for redemption or (iii) during the period of twenty (20) days preceding any Interest Payment Date.



## APPLICATION OF BOND PROCEEDS

The proceeds of the Bonds will be used to pay costs of the Infrastructure Improvements and to pay certain costs of issuance of the Bonds. The proceeds of the Bonds (exclusive of accrued interest) are expected to be applied as follows:

### Sources

Principal amount of the Bonds	\$69,810,000.00
Original Issue Premium	<u>1,013,620.60</u>
Total	<u>\$70,823,620.60</u>

### Uses

Deposit to Project Fund	\$70,000,000.00
Deposit to Cost of Issuance Fund	436,853.83
Underwriters' Discount	<u>386,766.77</u>
Total	<u>\$70,823,620.60</u>

## THE INFRASTRUCTURE IMPROVEMENTS

The Town is issuing the Bonds pursuant to the Act to finance the planning, design, acquisition, construction, development, modernization, improvement and installation of substantial infrastructure improvements (the "Infrastructure Improvements") to support the approximately 68,000 seat, New Patriots Stadium under construction on a 24.016 area site in the Town (the "Stadium Site") by NPS LLC, a Delaware limited liability company (the "Stadium Developer"). The New Patriots Stadium will replace an existing 60,000 seat, open-air stadium (the "Existing Stadium") located in the Town and presently used by the Patriots as its home field. The Stadium Developer is an affiliate of New England Patriots L.P., a Delaware limited partnership (the "Team Owner"), which does business as the New England Patriots Football Club and is the owner of a professional football franchise from the National Football League (the "NFL"). The New Patriots Stadium is expected to be completed and opened for operation by the spring of calendar year 2002. As the New Patriots Stadium approaches completion, the Stadium Site, which is currently owned or controlled by Foxboro Realty Associates LLC, a Delaware limited liability company (the "Infrastructure Developer"), and Foxboro Stadium Associates Limited Partnership, a Delaware limited partnership and the lessee of the Existing Stadium ("Stadium Associates"), each of which is an affiliate of the Team Owner, will be conveyed to the Town and in turn leased to the Stadium Developer, as lessee (the "Stadium Lessee") for an initial term of 35 years, subject to renewal at the option of the Stadium Lessee for up to 35 additional years (the "New Stadium Lease").

The Infrastructure Improvements include roadways, pedestrian walkways and bridges, lighting and other utilities, and water, wastewater and solid waste management facilities to promote the public safety and convenience of persons attending events at the New Patriots Stadium. The Infrastructure Improvements will be constructed by the Infrastructure Developer and by the Massachusetts Highway Department ("MHD") on and adjacent to an approximately 325 acre site in the Town (the "Economic Development Area" or the "EDA") surrounding the Stadium Site owned by the Infrastructure Developer and Stadium Associates and will include improvements to Massachusetts state highway Route 1 and the construction of a new road providing vehicular access and egress between the EDA and North Street in the Town (the "North Street Access Road"). The Infrastructure Improvements will be designed, constructed and maintained by the Infrastructure Developer and MHD in accordance with the Infrastructure Improvements Development Agreement (the "Development Agreement"), dated as of June 1, 2000, among the Infrastructure Developer, the Town, acting by and through the Authority, the Stadium Developer, FRAL Corporation, a Delaware corporation and an affiliate of the Team Owner ("FRALC"), Stadium Associates, MHD and the Commonwealth, acting by and through its Secretary of Administration and Finance (the "Secretary").

The Act and the Development Agreement provide that the Infrastructure Developer shall be solely responsible for the design, construction, operation, maintenance and repair of all Infrastructure Improvements within the Economic Development Area. In addition, as provided in the Act, the Infrastructure Developer will grant an easement to the Town for purposes of inspecting, operating, maintaining, repairing or replacing the Infrastructure Improvements within the

EDA to the extent the Infrastructure Developer fails to fulfill its obligations in those respects under the Development Agreement. MHD shall be responsible for the construction, operation, maintenance and repair of the Infrastructure Improvements to be carried out by MHD outside the EDA. The Act and the Development Agreement provide that the Town, acting by the Authority, shall apply the proceeds of the Bonds to reimburse the Infrastructure Developer, or FRALC, on behalf of the Infrastructure Developer, for not more than \$56,000,000 aggregate costs of Infrastructure Improvements within the EDA and adjacent areas and to pay not more than \$14,000,000 aggregate costs of Infrastructure Improvements incurred by MHD outside the EDA. In the event the cost of the Infrastructure Improvements exceeds the foregoing limits, the Infrastructure Developer shall be responsible for the excess cost.

The obligation of the Commonwealth to make Contract Assistance Payments pursuant to the Contract to provide for the debt service payable on the Bonds shall not be affected by any failure of the Infrastructure Developer or MHD to complete the construction of the Infrastructure Improvements or of the Infrastructure Developer to pay any excess costs thereof or by any other default of any party to the Development Agreement.

As required by the Act, the Team Owner, the Stadium Lessee (together with the Team Owner, the "Team Parties") and the Commonwealth have entered into the Stadium Use Agreement (the "Stadium Use Agreement"), dated as of June 1, 2000, under which the Team Owner has agreed to maintain the Existing Stadium until the commencement of the New Stadium Lease, and to thereafter to maintain the New Patriots Stadium, for the purpose, among others, of conducting the business of a professional football team which is a member of the NFL. The covenants of the Team Parties shall be in effect from the date of issuance of the Bonds until the later of May 24, 2019 or until all of the Bonds and the interest thereon have been paid in full or duly provided for in accordance with the Indenture. The Team Parties further agree that they will not cause or permit the Patriots (or a successor NFL franchise team) to be relocated from the Town during such period. If either or both of the Team Parties fails to comply with the foregoing covenants (a "Prohibited Relocation"), unless the failure is due to circumstances beyond the control of the Team Parties, and such failure continues for more than one year, the Stadium Use Agreement provides that the Team Parties shall pay liquidated damages to the Commonwealth ("Relocation Payments") in an amount equal to the principal amount of the Bonds then outstanding under the Indenture plus all or a scheduled portion of the Contract Assistance Payments theretofore made by the Commonwealth. The NFL has further agreed with the Commonwealth pursuant to the Act and an Agreement dated as of June 1, 2000 between the NFL and the Commonwealth (the "NFL Agreement") to not approve any relocation of the Patriots from the Town unless and until all Relocation Payments due the Commonwealth have been paid.

Relocation Payments, if any, received by the Commonwealth are not pledged to the Bonds. However, if a Prohibited Relocation occurs under the Stadium Use Agreement and the Team Parties pay Relocation Payments to the Commonwealth, the Commonwealth may be required to apply such amounts to redeem the Bonds, if then subject to redemption at the option of the Town, or to establish a defeasance escrow to provide for the payment of the Bonds until next subject to optional redemption. See "The Bonds – Redemption Provisions – Optional Redemption" and "Summary of Certain Provisions of the Indenture and the Contract – Defeasance."

The Act provides that prior to the issuance of the Bonds or the payment by the Town of any costs of the Infrastructure Improvements, (i) a memorandum describing the Infrastructure Improvements shall have been filed with and approved by the Secretary of Administration and Finance of the Commonwealth (the "Secretary") and the Board of Selectmen of the Town, (ii) design drawings for the Infrastructure Improvements shall have been approved by the Secretary and the Board of Selectmen, (iii) the Stadium Developer shall have submitted plans for the New Patriots Stadium to the Secretary, (iv) the Team Owner, the Stadium Lessee and the NFL shall have agreed to the undertakings and covenants contained in the Stadium Use Agreement and the NFL Agreement, and (v) the Town shall have made all necessary provisions for the North Street Access Road. As required by the Act, prior to the sale of the Bonds the Secretary will file a certificate with the Governor and the Massachusetts House and Senate Committees on Ways and Means to the effect that the foregoing conditions have been satisfied.

In delivering his certificate, the Secretary will rely in part on a certificate of the Infrastructure Developer and the Stadium Developer that the Town has made all necessary provisions contemplated by the Act for the North Street Access Road. While construction of the North Street Access Road by the Infrastructure Developer remains subject to land use administrative approvals from various municipal boards and agencies and to the completion of state and local environmental review, the right to use the road for commercial purposes was authorized by amendments to the Town's zoning bylaws adopted by the Foxborough Town Meeting in December, 1999. On May



3, 2000 a complaint (the "Complaint") was filed in the Land Court for the Commonwealth against the Town and the Infrastructure Developer by an owner of certain real property adjoining the site of the North Street Access Road seeking a determination that the amendments to the zoning bylaws are invalid and unconstitutional. The zoning bylaw amendments have been approved by the Attorney General of the Commonwealth as required by state law. In addition, the Secretary has received an opinion of Town Counsel regarding the valid adoption of the zoning bylaw amendments in conformity with the procedural requirements of state and local law, and opinions of counsel to the Infrastructure Developer providing an analysis of the merits of the Complaint.

The Act provides that the Secretary's certificate shall be conclusive evidence of the satisfaction of the conditions to the issuance of the Bonds provided in the Act. While a final judicial decision entered after the issuance of the Bonds upholding the claims asserted in the Complaint might affect the right of the Infrastructure Developer or the Stadium Developer to use the North Street Access Road for commercial purposes as originally contemplated by the Act, in the opinion of Bond Counsel to the Town neither the validity and enforceability of the Bonds nor the obligation of the Commonwealth to make Contract Assistance Payments pursuant to the Contract to provide for the debt service payable on the Bonds would be adversely affected by that decision. See Appendix B.

## **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND THE CONTRACT**

### **Pledge of the Indenture**

As security for the payment of the principal of and premium, if any, and interest on the Bonds, the Town, acting by and through the Authority (collectively, the "Issuer") pledges and grants to the Trustee on behalf of the Bondowners a security interest in (1) all Contract Assistance Payments and other amounts, if any, paid or required to be paid by the Commonwealth with respect to debt service on the Bonds from time to time under the Contract and all of the Issuer's rights to payment of such Contract Assistance Payments and other moneys and (2) all moneys and securities on deposit in the Debt Service Fund, whether any of the foregoing is existing or later acquired (collectively, the "Trust Assets"), in each case subject only to the provisions of the Indenture permitting the application of amounts held thereunder for the purposes and on the terms and conditions set forth therein. To the extent permitted by law, the foregoing pledge shall be valid and binding from the time of delivery by the Issuer of the first Bond, shall be effective as to all such rights and other pledged property whether existing or later coming into existence, whether held or later acquired by the Issuer and whether or not segregated or held in trust by the Issuer. The moneys, contract rights, other property and proceeds so pledged shall immediately be subject to the lien of such pledge without any physical delivery or segregation thereof or further act and the lien of such pledge shall be valid and binding against any and all parties having a claim of any kind, in tort, contract or otherwise, against the Issuer, irrespective of whether such parties have notice thereof.

### **Indenture to Constitute Contract**

In consideration of the purchase and acceptance of the Bonds by the Bondowners, the Indenture shall be deemed to be and shall constitute a contract among the Issuer, the Trustee and the Bondowners; and the pledge made in the Indenture and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the benefit, protection and security of, ratably as their interests may appear, the owners of any and all of the Bonds, all of which Bonds, regardless of the time or times of their delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by the Indenture.

### **Payment of Bonds; Creation of Liens**

The Issuer covenants in the Indenture to duly and punctually pay or cause to be paid solely from Contract Assistance Payments received from the Commonwealth under the Contract and any other funds pledged therefor by the Indenture, the principal of every Bond and the interest thereon, at the dates and places and in the manner mentioned in the Bonds. The Issuer shall not issue any bonds or other evidences of indebtedness, other than the Bonds, secured by a pledge of the Trust Assets and shall not create or cause to be created any lien or charge on the Trust Assets.

## **Establishment of Funds**

The following funds are established under the Indenture to be held by the Trustee:

**Project Fund.** The moneys in the Project Fund and any investments held as part of such Fund shall be held in trust and, except as otherwise provided in the Indenture, shall be applied by the Trustee solely to the payment or reimbursement of costs of Infrastructure Improvements as provided in the Indenture and in the Development Agreement.

**Debt Service Fund.** All Contract Assistance Payments and any other moneys received by the Trustee for deposit to the Debt Service Fund shall be deposited promptly upon receipt in the Debt Service Fund. The Trustee shall pay out of the Debt Service Fund on each interest payment date and principal payment date of the Bonds an amount sufficient to pay the principal of and premium, if any, and interest on the Bonds due on such date.

**Cost of Issuance Fund.** The moneys in the Cost of Issuance Fund and any investments held as part of such Fund shall be held in trust and shall be applied by the Trustee at the written direction of the Commonwealth solely to the payment or reimbursement of the costs of issuing the Bonds.

## **Contract Assistance Payments**

Pursuant to the Contract, not less than one business day prior to each such interest payment date or principal payment date for the Bonds, the Commonwealth shall pay to the Trustee, as and for a Contract Assistance Payment for the account of the Issuer, an amount in immediately available funds equal to the full amount of principal, premium, if any, and interest payable on the Bonds on such date.

## **Pledge of Credit of the Commonwealth; Obligation Unconditional**

The Contract and the obligation of the Commonwealth to pay Contract Assistance Payments thereunder at the times and in the amounts provided therein shall constitute an irrevocable general obligation of the Commonwealth for which the faith and credit of the Commonwealth are pledged for the benefit of the Issuer and the owners of the Bonds. The obligation of the Commonwealth to pay Contract Assistance Payments under the Contract shall be absolute and unconditional. Without limiting the generality of the foregoing, the Commonwealth shall have no power to set off Contract Assistance Payments against any obligation due it from the Town, the Authority, the Infrastructure Developer, MHD or any other person and the Commonwealth shall have no power to impose conditions on payment of Contract Assistance Payments under the Contract except as expressly provided therein.

## **Investments and Deposits**

Moneys held for the credit of any Fund established under the Indenture shall, to the fullest extent practicable, be invested by the Trustee at the written direction of the Commonwealth in Investment Obligations which shall mature or be redeemable at the option of the owner thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments required to be made from such Fund. Investment Obligations include any investment obligations which are legal investments for moneys of the Commonwealth and, with respect to moneys on deposit in the Project Fund, investment agreements rated, or with banks, bank holding companies, insurance companies or other financial institutions or entities whose senior long-term debt obligations or claims paying ability are rated, or guaranteed by an entity whose senior long-term debt obligations are rated, in one of the three highest rating categories by Moody's Investors Service, Inc., Fitch IBCA, Inc. or Standard & Poor's Ratings Services.

The Trustee shall sell, or present for redemption, upon the written direction of the Commonwealth, any Investment Obligation purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund for the account of which such Investment Obligation is held under the Indenture.

All earnings on investment or deposit of moneys in all funds held under the Indenture shall be paid to the Commonwealth upon receipt by the Trustee and upon such payment such earnings shall be free of any pledge or lien



created by the Indenture. In the Contract, the Commonwealth has agreed to take all action and make all payments, if any, to the United States required to comply with the rebate provisions of Section 148(f) of the Internal Revenue Code of 1986 (the "Code") and the regulations thereunder.

#### **Events of Default**

Each of the following events is an "Event of Default" under the Indenture:

- (1) payment of the principal of any Bond shall not be made when and as the same shall become due;
- (2) payment of any installment of interest on any of the Bonds shall not be made when and as the same shall become due; or
- (3) failure by the Commonwealth to pay any Contract Assistance Payment when due.

#### **Remedies**

Upon the happening and continuance of any Event of Default the Trustee shall proceed in its own name, subject to provisions of the Indenture regarding compensation of the Trustee, to protect and enforce the rights of the Bondowners by such of the following remedies set forth below as the Trustee shall deem most effectual to protect and enforce such rights:

- (1) by mandamus or other suit, action or proceeding at law or in equity to enforce all rights of the Bondowners and to require the Issuer to carry out any other covenants or agreements with Bondowners and to perform their respective duties as prescribed by law;
- (2) by bringing suit upon the Bonds;
- (3) by action or suit in equity to require the Issuer to account as if it were the trustee of an express trust for the owners of the Bonds;
- (4) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the owners of the Bonds; and
- (5) by bringing suit upon the Contract.

In the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Issuer for principal, interest or otherwise, under any provisions of the Indenture or of the Bonds, with interest on overdue payments of principal and interest at the rate of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings thereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondowners, and to recover and enforce a judgment or decree against the Issuer for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable; provided, however, that Contract Assistance Payments may be used only to pay debt service on the Bonds.

No delay or omission of the Trustee or of any owner of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein and every power and remedy given by the Indenture to the Trustee and the owners of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

## **Priority of Payments after Default**

In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee shall be insufficient for the payment of principal and interest then due on the Bonds, such funds and any other amounts received or collected by the Trustee, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the owners of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Indenture, shall be applied as follows:

**FIRST:** To the payment to the persons entitled thereto of all installments of interest on the Bonds then due or accrued and unpaid as of the next prior interest payment date in the order of the maturity of such installments and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

**SECOND:** To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due and, if the amounts available shall not be sufficient to pay in full all the Bonds due, then to the payment thereof ratably, according to the amounts of principal due on such date, to the persons entitled thereto, without any discrimination or preference;

**THIRD:** To be held for the payment to the persons entitled thereto as the same shall become due of the principal of and interest on the Bonds which may thereafter become due and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, payment shall be made ratably according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference.

## **Limitation on Rights of Bondowners**

No owner of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Indenture or for the protections or enforcement of any right under the Indenture unless such owner shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken and unless the owners of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the power granted in the Indenture or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Nothing contained in the Indenture shall affect or impair the right of any Bondowner to enforce the payment of the principal of and interest on its Bonds, or the obligation of the Issuer to pay the principal of and interest on each Bond issued to the owner thereof at the time and place in said Bond expressed.

## **Tax Exemption of Bonds**

The Issuer covenants in the Indenture and the Commonwealth covenants in the Contract that they shall not take or fail to take any action, or cause or permit any circumstance within their control to arise or continue, if such action, inaction or circumstance, or its expectation on the date of issue of the Bonds, would cause the interest paid by the Issuer on the Bonds to be included in the gross income of the owners of the Bonds for federal income tax purposes. Without limiting the generality of the foregoing, the Issuer and the Commonwealth agree that they shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer or the Commonwealth to be used directly or indirectly to acquire any securities, obligations or other investment property the acquisition or holding of which would cause any Bond to be an "arbitrage bond" as defined in Section 148(a) of the Code. Further, in the event that payments are received in respect of property used or to be used for a private business use in excess of amounts allowable under Section 141(b)(2) of the Code, the Issuer and the Commonwealth covenant to take such remedial action under Section 1.141-12 of the United States Treasury Regulations or any other such action as may be required



pursuant to a Bond Counsel's Opinion to assure that interest on the Bonds is and continues to be excluded from the gross income of the owners of the Bonds for federal income tax purposes.

### **Supplemental Indentures**

The Issuer and the Trustee may, from time to time and at any time, enter into one or more Supplemental Indentures for any one or more of the following purposes:

- (1) To add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with this Indenture as theretofore in effect;
- (2) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (3) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture of the Contract Assistance Payments or of any other moneys, securities or funds; and
- (4) To cure any ambiguity, supply any omission or cure or correct any inconsistent provision in the Indenture or to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect, provided that such action or actions shall not adversely affect the interests of the Bondowners.

Except as provided above, the Indenture may only be amended by the Issuer upon the prior written consent of the owners of at least a majority in principal amount of all Bonds outstanding.

### **Amendment of Contract**

Without notice to or the consent of any of the Bondowners, the Issuer and the Commonwealth may execute and deliver one or more amendments or supplements to the Contract for any of the following purposes:

- (1) To add to the covenants and agreements of the Commonwealth in the Contract other covenants and agreements to be observed by the Commonwealth which are not contrary to or inconsistent with the Contract as theretofore in effect;
- (2) To add to the limitations and restrictions in the Contract other limitations and restrictions to be observed by the Commonwealth which are not contrary to or inconsistent with the Contract as theretofore in effect; and
- (3) To cure any ambiguity, supply any omission or cure or correct any inconsistent provision in the Contract or to insert such provisions clarifying matters or questions arising under the Contract as are necessary or desirable and are not contrary to or inconsistent with the Contract as then in effect, provided that such action or actions shall not adversely affect the interests of the Bondowners.

Except as provided above, the Contract may only be amended by the Issuer and the Commonwealth upon the prior written consent of the owners of at least a majority in principal amount of all Bonds outstanding.

### **Defeasance**

If the Issuer shall pay or cause to be paid to the Trustee all amounts due the Trustee under the Indenture and to the owners of the Bonds the principal and interest to become due thereon, then the pledge of any Trust Assets and other moneys pledged to the payment of the Bonds under the Indenture and all other rights granted by the Indenture securing the Bonds shall be discharged and satisfied. If the Issuer shall pay or cause to be paid, or there shall

otherwise be paid, to the owners of all Outstanding Bonds the principal and interest due or to become due thereon, such Bonds shall cease to be entitled to any lien, benefit or security under the Indenture and all covenants, agreements and obligations of the Issuer to the owners of such Bonds and all covenants, agreements and obligations of the Commonwealth to make Contract Assistance Payments under the Contract shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments thereon for the payment of which moneys and investment earnings thereon, if any, shall have been set aside and shall be held in trust by the Trustee shall, at the maturity thereof, be deemed to have been paid within the meaning and with the effect described in the paragraph above. Bonds and interest installments thereon shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the paragraph above if (i) there shall have been deposited with the Trustee moneys in an amount which shall be sufficient, or when invested in direct, general obligations of the United States or obligations the payment of which are guaranteed by the United States, shall, together with the investment earnings thereon, be sufficient, to pay when due the principal of and interest due and to become due on said Bonds on and prior to the maturity date thereof and (ii) the Issuer shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to each of the owners of such Bonds that the deposit required by (i) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity date upon which moneys are to be available for the payment of the principal of said Bonds.

### LITIGATION

There is no controversy or litigation pending or threatened against the Town or the Authority seeking to restrain or enjoin the execution, delivery and performance by the Town or the Authority of the Indenture or the issuance or delivery of the Bonds or the validity and enforceability of the Indenture or the pledge or application of any moneys or security provided for the Bonds thereunder, or in any way contesting the existence or powers of the Town or the Authority relating to the issuance of the Bonds.

There is no controversy or litigation pending or threatened against the Commonwealth seeking to restrain or enjoin the execution, delivery, and performance by the Commonwealth of the Indenture or contesting or affecting the Commonwealth's agreement therein to provide Contract Assistance Payments with respect to the Bonds.

### TAX EXEMPTION

In the opinion of Palmer & Dodge LLP, Bond Counsel, under existing law and assuming continued compliance by the Town and the Commonwealth with the Code, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). Bond Counsel has not opined as to other federal income tax consequences, if any, resulting from holding the Bonds.

The Code establishes certain requirements regarding the use, expenditure and investment of bond proceeds and the payment of rebates and certain other payments to the United States which must be continuously satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to remain excluded from gross income. Failure to comply with these requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Town and the Commonwealth have covenanted to take all lawful action necessary under the Code to ensure that interest on the Bonds will remain excluded from gross income for federal income tax purposes and to refrain from taking any action which would cause interest on the Bonds to become included in such gross income.

Prospective purchasers of the Bonds should also be aware that the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, or, in the case of a financial institution, for that portion of the owner's interest expense allocated to interest on the Bonds and, for insurance companies subject to the



tax imposed by Section 831 of the Code, reduces the deduction for losses incurred by 15 percent of the sum of certain items, including interest on the Bonds. In addition, interest on the Bonds earned by certain corporations could be taken into account in determining the foreign branch profits tax imposed by Section 884 of the Code, and may be included in passive investment income subject to federal income taxation under Section 1375 of the Code applicable to certain Subchapter S corporations. The Code also requires recipients of certain social security and railroad retirement benefits to take into account receipts and accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income, and receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit under Section 32(i) of the Code.

In the opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective purchasers should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

On the date of delivery of the Bonds, the original purchasers thereof will be furnished with an opinion of Bond Counsel substantially in the form attached hereto as Appendix B.

### **LEGALITY OF BONDS FOR INVESTMENT AND DEPOSIT**

The Act provides that the Bonds are legal investments in which all public officers and public bodies of the Commonwealth, its political subdivisions, all municipalities and municipal subdivisions, all Massachusetts insurance companies and associations, and other persons carrying on an insurance business in the Commonwealth, Massachusetts banks, banking associations, trust companies, savings banks and savings associations, including cooperative banks, building and loan associations, investment companies and other persons carrying on a banking business, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or other obligations of the Commonwealth, may properly and legally invest funds, including capital, in their control or belonging to them. The Act also provides that the Bonds are securities which may properly and legally be deposited with and received by all public officers and bodies of the Commonwealth or any agency or political subdivision thereof and all municipalities and public corporations for any purposes for which the deposit of bonds or other obligations of the Commonwealth is now or may hereafter be authorized by law.

### **RATINGS**

Moody's Investors Service, Inc., Fitch IBCA, Inc. and Standard & Poor's Ratings Services will assign ratings of "Aa2", "AA-" and "AA-", respectively, to the Bonds. Any explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that the ratings will continue for any given period of time or that they might not be revised downward or withdrawn entirely by the rating agencies, if in their judgment circumstances so warrant. Any such downward revision or withdrawal of the ratings might have an adverse effect on the market price of the Bonds.

### **UNDERWRITING**

The Bonds are being purchased by Morgan Stanley & Co. Incorporated and the other Underwriters named on the cover page of this Official Statement. The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Town at an aggregate underwriters' discount from the initial public offering yields set forth on the cover page hereof equal to \$386,766.77 and to reoffer the Bonds at the public offering yields set forth on the cover page hereof. The Underwriters may offer and sell the Bonds to certain dealers and others (including dealers depositing

Bonds into investment trusts) at yields higher than the offering yields stated on the cover page hereof. The initial offering yields stated on the cover page hereof may be changed from time to time by the Underwriters.

## **LEGAL MATTERS**

All legal matters incidental to the authorization and issuance of the Bonds are subject to approval of Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel. The opinion of Bond Counsel, substantially in the form set forth in Appendix A hereto, will be delivered with the Bonds. Certain legal matters will be passed upon for the Town by its counsel, Geleman, Cashman & Donahue, Dedham, Massachusetts, for the Commonwealth by its disclosure counsel, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, and for the Underwriters by their counsel, Foley, Hoag & Eliot LLP, Boston, Massachusetts.

## **ADDITIONAL INFORMATION**

The Commonwealth prepares its Comprehensive Annual Financial Report ("CAFR") with respect to each fiscal year ending June 30, which becomes available in January of the following fiscal year. Copies of the CAFR may be obtained by requesting the same in writing from the Office of the Comptroller, One Ashburton Place, Room 909, Boston, Massachusetts 02108.

Specific reference is made to the Commonwealth's Information Statement dated March 3, 2000 (the "Information Statement") as it appears in the Official Statement of the Massachusetts Bay Transportation Authority (the "MBTA Official Statement") dated March 3, 2000, relating to its \$200,000,000 General Transportation System Bonds, Variable Rate Demand Obligations, 2000 Series. A copy of the MBTA Official Statement has been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission. The Commonwealth's Information Statement Supplement dated June 21, 2000 (the "Supplement") is included as Appendix A to this Official Statement. Copies of the Information Statement and the Supplement may also be obtained from the Underwriters.

Questions regarding this Official Statement should be directed to Scott Jordan, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040. Questions regarding legal matters should be directed to Robert H. Hale, Palmer & Dodge LLP, One Beacon Street, Boston, Massachusetts 02108, telephone (617) 573-0407. Questions regarding the Commonwealth's Information Statement or the Supplement thereto or requests for additional financial information concerning the Commonwealth should be directed to Jeffrey S. Stearns, Deputy Treasurer, Office of the Treasurer-Receiver General, One Ashburton Place, Twelfth Floor, Boston, Massachusetts 02108, telephone (617) 367-3900, or Paul E. Ladd, Assistant Secretary for Capital Resources and Chief Development Officer, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040.

## **CONTINUING DISCLOSURE**

The Town and the Commonwealth have undertaken for the benefit of the owners (including the beneficial owners) of the Bonds to provide certain continuing disclosure. The undertakings have been made pursuant to the provisions of Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934, as amended.

Prior to the issuance of the Bonds, the Town, acting by and through the Authority, will execute a Continuing Disclosure Certificate pursuant to which the Town will agree, for the benefit of the owners of the Bonds, to provide notice of the occurrence of certain enumerated events, if material (an "Event Notice"). Any Event Notice will be filed by the Town with each nationally recognized municipal securities information repository ("NRMSIR") and with any state depository in the Commonwealth. Further, prior to the issuance of the Bonds, the Commonwealth will execute a Continuing Disclosure Certificate pursuant to which the Treasurer and Receiver-General of the Commonwealth will agree, for the benefit of the owners of the Bonds, to provide certain annual financial information and operating data concerning the Commonwealth. Such information will be filed by the Commonwealth in the same manner as Event Notices filed by the Town. The events relating to the Bonds that may give rise to an Event Notice and the nature of the



information to be provided by the Commonwealth is set forth under Appendix C – “Summary of Continuing Disclosure Undertakings.”

The sole remedy for any owner or beneficial owner of a Bond upon failure by the Town or the Commonwealth or to fulfill their respective continuing disclosure undertakings is a suit in equity for specific performance of the undertaking and not for money damages.

To date, the Town and the Commonwealth have complied with all of their continuing disclosure undertakings.

#### MISCELLANEOUS

The references to the Act, the Indenture and the Contract are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to the Act and the Indenture for full and complete statements of such provisions. The agreements of the Town and the Commonwealth with the holders of the Bonds are fully set forth in the Indenture and the Contract and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the Bondowners. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Authority and of the Trustee.

**TOWN OF FOXBOROUGH,**  
acting by and through the  
Foxborough Industrial Development  
Financing Authority

By: /s/James W. Evans, Jr.  
Chairman

Dated: June 21, 2000

[THIS PAGE INTENTIONALLY LEFT BLANK]



**THE  
COMMONWEALTH  
OF  
MASSACHUSETTS**



**INFORMATION STATEMENT SUPPLEMENT**

**Dated June 21, 2000**

# TABLE OF CONTENTS

## INFORMATION STATEMENT SUPPLEMENT DATED JUNE 21, 2000

	<u>Page</u>
RECENT DEVELOPMENTS.....	i
Fiscal 2001.....	i
Fiscal 2000.....	ii
State Taxes.....	ii
Cash Flow Statements.....	iii
Medicaid.....	iii
Selected Financial Data - Statutory Basis.....	iv
COMMONWEALTH CAPITAL SPENDING.....	vi
Central Artery/Ted Williams Tunnel Project.....	vi
Update of Proposed Capital Spending Authorizations.....	x
LEGAL MATTERS.....	x
Update of Existing Litigation.....	x
SEC Investigation.....	xi
COMMONWEALTH BOND AND NOTE LIABILITIES.....	xi
Maturities of Short-Term Debt.....	xi
Statutory Debt Limit on Direct Debt.....	xii
Debt Service Requirements on Commonwealth Bonds.....	xii
OTHER COMMONWEALTH LIABILITIES.....	xiv
Pension Funding Schedule and Actuarial Valuations.....	xiv
Unemployment Compensation Trust Fund.....	xiv
AVAILABILITY OF OTHER INFORMATION.....	xv
(Exhibits A, B and C are included by reference, and have been filed with Nationally Recognized Municipal Securities Information Repositories)	
A. Economic Information	
B. Fiscal 1999 Statutory Basis Financial Report	
C. Fiscal 1999 Comprehensive Annual Financial Report (GAAP basis)	

## COMMONWEALTH INFORMATION STATEMENT DATED MARCH 3, 2000

THE GOVERNMENT.....	2	Union Organization and Labor Negotiations.....	36
Executive Branch.....	3	COMMONWEALTH CAPITAL SPENDING.....	39
Legislative Branch.....	4	Five-Year Capital Spending Plan.....	40
Judicial Branch.....	5	Federal Highway Funding.....	41
Independent Authorities and Agencies.....	5	Central Artery/Ted Williams Tunnel Project.....	42
Local Government.....	5	Historical Capital Spending.....	47
Initiative Petitions.....	6	Proposed Capital Spending Authorizations.....	48
COMMONWEALTH BUDGET, FINANCIAL		COMMONWEALTH BOND AND NOTE LIABILITIES.....	50
MANAGEMENT AND CONTROLS.....	6	Overview.....	50
Operating Fund Structure.....	6	General Obligation Debt.....	53
Overview of Budgetary Process.....	7	Special Obligation Debt.....	54
Cash and Budgetary Controls.....	8	Federal Grant Anticipation Notes.....	54
Cash Management Practices of State Treasurer.....	8	Synthetic Fixed Rate Bonds.....	55
Fiscal Control, Accounting and Reporting Practices of		Debt Service Requirements on Commonwealth Bonds.....	55
Comptroller.....	9	Cash Defeasance.....	57
Overview of Capital Spending Process and Controls.....	10	Statutory Debt Limit on Direct Debt.....	57
Audit Practices of State Auditor.....	11	Limit on Debt Service Appropriations.....	58
FINANCIAL RESULTS.....	11	Authorized But Unissued Debt.....	59
Selected Financial Data - Statutory Basis.....	11	Commonwealth-Supported Debt.....	59
Selected Financial Data - GAAP Basis.....	14	Turnpike Authority Contract Assistance.....	61
2000 FISCAL YEAR.....	15	Debt Service Contract Assistance Requirements on	
Cash Flow.....	16	Commonwealth-Supported Debt.....	61
2001 FISCAL YEAR.....	16	Commonwealth-Guaranteed Debt.....	63
COMMONWEALTH REVENUES.....	18	Indirect Obligations.....	63
Distribution of Revenues.....	18	OTHER COMMONWEALTH LIABILITIES.....	65
State Taxes.....	20	Retirement Systems and Pension Benefits.....	65
Tax Revenue Forecasting.....	24	Long-Term Operating Leases.....	69
Federal and Other Non-Tax Revenues.....	26	Long-Term Capital Leases.....	69
Limitations on Tax Revenues.....	27	School Building Assistance.....	69
COMMONWEALTH PROGRAMS AND SERVICES.....	28	Unemployment Compensation Trust Fund.....	70
Local Aid.....	28	INVESTMENT POLICIES.....	70
Medicaid.....	30	LITIGATION.....	70
Public Assistance.....	31	MISCELLANEOUS.....	74
Massachusetts Bay Transportation Authority.....	33	CONTINUING DISCLOSURE.....	74
Other Programs.....	35	AVAILABILITY OF OTHER FINANCIAL INFORMATION.....	75
State Workforce.....	35		



THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Argeo Paul Cellucci.....Governor  
Jane M. Swift .....Lieutenant Governor  
William F. Galvin .....Secretary of the Commonwealth  
Thomas F. Reilly.....Attorney General  
Shannon P. O'Brien .....Treasurer and Receiver-General  
A. Joseph DeNucci.....Auditor

LEGISLATIVE OFFICERS

Thomas F. Birmingham.....President of the Senate  
Thomas M. Finneran .....Speaker of the House

[THIS PAGE INTENTIONALLY LEFT BLANK]



# **THE COMMONWEALTH OF MASSACHUSETTS**

## **INFORMATION STATEMENT SUPPLEMENT**

June 21, 2000

This supplement ("Supplement") to the Information Statement of The Commonwealth of Massachusetts (the "Commonwealth") dated March 3, 2000 (the "March Information Statement") is dated June 21, 2000 and contains information which updates the information contained in the March Information Statement. Exhibit A to this Supplement sets forth certain economic, demographic and statistical information concerning the Commonwealth. Specific reference is made to Exhibit A as it appears in the Official Statement of the Massachusetts State College Building Authority dated May 19, 2000 with respect to its \$22,215,000 Project Revenue Bonds, Series 2000-1, a copy of which has been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission and with the Municipal Securities Rulemaking Board. This Supplement and the March Information Statement must be read collectively and in their entirety in order to obtain the appropriate fiscal, financial and economic information concerning the Commonwealth through June 21, 2000. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the March Information Statement.

### **RECENT DEVELOPMENTS**

#### **Fiscal 2001**

On April 14, 2000 the House of Representatives approved its version of the fiscal 2001 budget. The House budget provides for total appropriations of approximately \$21.8 billion and is based on a tax revenue estimate of \$15.283 billion, excluding \$645 million of sales tax receipts dedicated to the Massachusetts Bay Transportation Authority as a result of forward funding legislation. See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority." The House tax revenue estimate is approximately \$245 million higher than the estimate contained in the Governor's fiscal 2001 budget recommendations, after adjusting for proposed tax cuts in the Governor's budget. As recommended by the Governor, the House budget appropriates \$922 million for the state's pension funding schedule and an additional \$100 million related to increased pension liabilities due to the conversion to new actuarial software. The House budget provides for the current expenditure of 30% of tobacco settlement moneys to be received in fiscal 2001 rather than 50% as recommended by the Governor. The House budget includes a provision that would reduce the personal income tax rate starting in tax year 2003 if the state economy continues to grow. See "State Taxes." The House budget also includes, with some modifications, the Governor's proposal to revamp the school building assistance program. See the March Information Statement under the heading "2001 FISCAL YEAR."

On May 25, 2000 the Senate approved its version of the fiscal 2001 budget, which provides for total spending of approximately \$21.549 billion and is based on a tax revenue estimate of approximately \$15.204 billion, which is essentially equivalent to the House estimate after adjusting for proposed tax cuts in the Senate budget. The Senate budget contains the same provisions regarding pension appropriations as the House budget. Like the Governor, but unlike the House, the Senate recommends spending 50% of tobacco settlement moneys to be received in fiscal 2001 and thereafter. The Senate budget would provide for a personal income tax deduction for charitable contributions. See "State Taxes." The Senate budget would also provide for pay-as-you-go capital spending during fiscal years 2001 through 2005. See "Update of Proposed Capital Spending Authorizations."

Based on tax revenue through April, the Secretary of Administration and Finance did not agree with the Legislature's proposed tax revenue estimate and consensus was not reached by May 15, 2000 as required by state finance law (see the March Information Statement under the heading "COMMONWEALTH REVENUES - Tax Revenue Forecasting"). On June 12, 2000 the Secretary of Administration and Finance informed the chairmen of the House and Senate Committees on Ways and Means that the administration accepted the legislative consensus tax revenue estimate for fiscal 2001 (\$15.283 billion before any tax cuts), based on higher-than-expected tax collections in May, 2000.

The differences between the House and Senate versions will be reconciled by a legislative conference committee. The Executive Office for Administration and Finance estimates that total spending in the House budget is approximately \$370 million more than the Governor's recommendations, as adjusted upward by newly identified appropriation needs of approximately \$70 million since the Governor's budget was filed in January. Total spending in the Senate budget is approximately \$210 million more than the Governor's adjusted recommendations.

## **Fiscal 2000**

Tax collections in February, 2000 totaled approximately \$871.2 million, an increase of approximately \$119.4 million, or 15.9%, over February, 1999. Tax collections in March, 2000 totaled approximately \$1.400 billion, an increase of approximately \$176.5 million, or 14.4%, over March, 1999. Year-to-date tax collections through March, 2000 totaled approximately \$11.002 billion, an increase of approximately \$752.1 million, or 7.3%, over the same period in fiscal 1999. The year-to-date benchmark range through March based on the \$15.288 billion estimate for fiscal 2000 was \$10.762 billion to \$10.917 billion. On April 18, 2000 the Executive Office for Administration and Finance revised the fiscal 2000 revenue estimates upward by \$170 million to \$15.458 billion.

Tax revenue collections for April, 2000 totaled approximately \$1.273 billion, a decrease of approximately \$41.8 million, or 3.2%, from April, 1999. Year-to-date tax collections through April totaled approximately \$12.275 billion, an increase of approximately \$710.3 million, or 6.1%, over the same period in fiscal 1999. The year-to-date benchmark range through April based on the revised \$15.458 billion estimate for fiscal 2000 was \$12.228 billion to \$12.428 billion.

Tax revenue collections in May, 2000 totaled approximately \$1.634 billion, an increase of approximately \$454.8 million, or 38.6%, over May, 1999. Year-to-date tax collections through May totaled approximately \$13.909 billion, an increase of approximately \$1.165 billion, or 9.1%, over the same period in fiscal 1999. The year-to-date benchmark range through May based on the \$15.458 billion estimate for fiscal 2000 was \$13.697 billion to \$13.847 billion.

The Division of Medical Assistance is projecting a deficiency of \$184.5 million in fiscal 2000 resulting from increased caseloads, rate increases and an internal accounting issue relating to the Division's 52-week billing system, which is equipped to pay medical bills from providers for only 364 days per year. Bills for a "53<sup>rd</sup> week" must be paid on occasion to account for the lost billing days in previous years. Corrective action is planned to prevent future deficiencies related to the Division's billing system. The projected deficiency is expected to be partially offset with \$35.5 million in newly identified reversions, resulting in a net deficiency of \$149 million. The projected deficiency is expected to be offset further by increased federal reimbursements of \$86.9 million, for a net balance sheet impact of \$62.1 million.

To date, approved appropriations for fiscal 2000 total approximately \$21.293 billion. On May 5, 2000, the Governor approved a fiscal 2000 supplemental appropriations bill containing approximately \$85.7 million of appropriations to make up deficiencies in certain accounts, including \$25.3 million for the statewide snow and ice removal program. On June 8, 2000, the Governor filed a supplemental appropriations bill that would provide for approximately \$255 million of additional fiscal 2000 appropriations, including \$196.6 million for Medicaid payments as described above. The House approved the supplemental appropriations bill on June 21, 2000, and the Senate is expected to do so on June 22, 2000. Taking into account expected reversions (*i.e.*, appropriations that will not be spent in fiscal 2000), the Executive Office for Administration and Finance projects fiscal 2000 spending of approximately \$21.259 billion, a 5.0% increase over fiscal 1999 spending.

## **State Taxes**

On March 29, 2000 the Governor filed legislation that would freeze the motor fuels excise tax at 21¢ per gallon of fuel, which has been the effective tax rate for many years. The House of Representatives and the Senate have each included a comparable provision in its version of the fiscal 2001 budget. Under current law, the tax per gallon is 19.1% of the weighted average selling price per gallon of fuel, but not less than 21¢. See the March Information Statement under the heading "COMMONWEALTH REVENUES – State Taxes; *Other Taxes*."



The House version of the fiscal 2001 budget also includes provisions that would reduce the rate of tax on "Part B" income. Beginning with the 2003 tax year, the tax rate, which under current law will be 5.75% in tax year 2002, would be reduced by 0.10% for each 2.5% of cumulative growth in Massachusetts personal income until the rate became 5%, provided that the unemployment rate is not greater than 6% for the 12-month period ended the previous September. Cumulative growth in personal income is defined in the bill as the percentage increase in personal income as reported by the federal Bureau of Economic Analysis for the second quarter of the second preceding calendar year, adjusted for inflation. See the March Information Statement under the heading "COMMONWEALTH REVENUES – State Taxes; *Income Tax*."

The Senate version of the fiscal 2001 budget would provide for a personal income tax deduction for charitable contributions, estimated by the Senate Committee on Ways and Means to cost \$80 million in fiscal 2001 and \$164 million annually thereafter. The Senate budget does not include any reduction in income tax rates.

### **Cash Flow Statements**

A cash flow projection for the balance of fiscal 2000 was released by the State Treasurer and the Secretary of Administration and Finance on March 7, 2000. Fiscal 2000 was projected to end with a cash balance of \$776.6 million, excluding any fiscal 2000 activity that will occur after June 30, 2000 and excluding the Stabilization Fund. Bond issues of \$250 million each were projected to occur in April and June, 2000. Federal grant anticipation note issues of \$450 million and \$150 million were projected to occur in April and June, 2000, respectively. (These bond and note issues did not occur as projected. It is now anticipated that the Commonwealth will issue approximately \$650 million of general obligation bonds in June, 2000 and \$600 million of federal grant anticipation notes in August, 2000.)

A revised cash flow projection was due May 25, 2000. It has been delayed while the Executive Office for Administration and Finance, the Comptroller's office, the Massachusetts Bay Transportation Authority and the State Treasurer's office determine the final amounts of net-cost-of-service payments owed by the Commonwealth to the MBTA on account of fiscal 2000 and prior periods. See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority."

### **Medicaid**

On June 15, 2000 the federal Health Care Financing Administration (HCFA) sent a letter to nine states, including Massachusetts, New York and Florida, indicating that portions of their Medicaid programs may be funded with impermissible taxes on health care providers, jeopardizing federal reimbursements collected on any Medicaid program expenditures funded with such taxes. In the case of Massachusetts, the letter relates to the portion of the Commonwealth's Medicaid program funded by the uncompensated care pool. The Medicaid program is 50% funded by federal reimbursements. See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Medicaid." HCFA promulgated regulations in 1993 regarding the collection of taxes imposed on health care providers and establishing a process for waiver approval of state taxes subject to the regulations. The state Division of Medical Assistance (DMA), which administers the Medicaid program in the Commonwealth, filed a waiver request in February, 1993 relating to the permissibility of the Commonwealth's assessment on acute care hospitals to fund the uncompensated care pool in Massachusetts. The waiver request has been resubmitted three times since 1993, with DMA providing additional information each time as requested by HCFA. DMA believes that its pending waiver request addresses the concerns that have been articulated by HCFA and that the Commonwealth's implementation of the uncompensated care pool assessment is within the federal law pertaining to provider taxes. The June 15 HCFA letter requests the Commonwealth to resubmit its waiver request by July 30, 2000. The letter further states that if HCFA makes a final determination that the Commonwealth has imposed an impermissible provider tax, HCFA will undertake an audit of the Commonwealth's uncompensated care pool program and seek retroactive repayment of federal Medicaid reimbursements. Under federal regulations, recoupment of federal Medicaid reimbursements is generally accomplished by withholding a portion of future Medicaid reimbursements to the state owing the repayment. States can appeal a request for repayment to an appeals panel within the U. S. Department of Health and Human Services and then to a federal district court. Since 1993, when the first waiver request was submitted, the Commonwealth has received an estimated \$920 million in federal Medicaid reimbursements related to expenditures associated with the uncompensated care pool. Officials from DMA are meeting with the Massachusetts Congressional delegation and officials from HCFA to discuss ways of

resolving this issue. Clarification of the law surrounding permissible provider taxes is a national issue and resolution could take several years.

#### **Selected Financial Data - Statutory Basis**

The revenues and expenditures of the budgeted operating funds presented in the following table are derived from the Commonwealth's audited statutory basis financial statements for fiscal 1995 through 1999 and estimates for fiscal 2000 prepared by the Executive Office for Administration and Finance. The financial information presented includes all budgeted operating funds of the Commonwealth. When the status of a fund has changed during this period, prior years have been restated to conform to the fiscal 2000 budget. See the March Information Statement under the heading "FINANCIAL RESULTS."



**Budgeted Operating Funds Operations -- Statutory Basis  
(in millions)(1)**

	<u>Fiscal 1995</u>	<u>Fiscal 1996</u>	<u>Fiscal 1997</u>	<u>Fiscal 1998</u>	<u>Fiscal 1999</u>	<u>Estimated Fiscal 2000</u>
<u>Beginning Fund Balances</u>						
Reserved or Designated	\$ 79.3	\$ 128.1	\$ 263.4	\$ 225.1	\$ 286.3	\$ 330.2
Tax Reduction Fund	--	--	231.7	91.8	367.7	6.8
Stabilization Fund	382.9	425.4	543.3	799.3	1,159.6	1,388.5
Undesignated	127.1	172.5	134.0	277.8	378.5	386.9
Fund Balance Restatement	--	--	0.6(2)	--	--	--
Total	<u>589.3</u>	<u>726.0</u>	<u>1,173.0</u>	<u>1,394.0</u>	<u>2,192.1</u>	<u>2,112.4</u>
<u>Revenues and Other Sources</u>						
Taxes	11,163.4	12,049.2	12,864.5	14,026.3	14,291.5	15,458.0
Federal Reimbursements	2,969.7	3,039.1	3,019.6	3,361.2	3,442.9	3,657.0
Departmental and Other Revenues	1,273.1	1,208.1	1,267.9	1,286.4	1,297.8	1,307.5
Interfund Transfers from Non-budgeted Funds and Other Sources	<u>981.0</u>	<u>1,031.1</u>	<u>1,018.0</u>	<u>1,125.9</u>	<u>1,132.8</u>	<u>1,218.4</u>
Budgeted Revenues and Other Sources	<u>16,387.2</u>	<u>17,327.5</u>	<u>18,170.0</u>	<u>19,799.8</u>	<u>20,165.0</u>	<u>21,640.9</u>
Mass Transit Assessments from Municipalities	143.9	147.6	151.5	155.6	159.9	163.9
Interfund Transfers among Budgeted Funds and Other Sources	<u>399.7</u>	<u>896.2</u>	<u>901.8</u>	<u>1,449.2</u>	<u>1,242.0</u>	<u>456.2</u>
Total Revenues and Other Sources	<u>16,930.8</u>	<u>18,371.3</u>	<u>19,223.3</u>	<u>21,404.6</u>	<u>21,566.9</u>	<u>22,261.0</u>
<u>Expenditures and Uses</u>						
Programs and Services	14,010.3	14,650.7	15,218.8	16,238.6	17,341.1	18,936.1
Debt Service	1,230.9	1,183.6	1,275.5	1,213.4	1,173.8	1,196.7
Pensions	968.8	1,004.6	1,069.2	1,069.8	990.2	987.4
Interfund Transfers to Non-budgeted Funds And Other Uses	<u>40.4</u>	<u>42.2</u>	<u>385.5</u>	<u>479.9</u>	<u>739.6</u>	<u>138.7 (3)</u>
Budgeted Expenditures and Other Uses	<u>16,250.5</u>	<u>16,881.1</u>	<u>17,949.0</u>	<u>19,001.7</u>	<u>20,244.7</u>	<u>21,258.9</u>
Payment of Municipal Mass Transit Assessments to the MBTA and RTA's	143.9	147.6	151.5	155.6	159.9	163.9
Interfund Transfers among Budgeted Funds and Other Uses	<u>399.7</u>	<u>896.2</u>	<u>901.8</u>	<u>1,449.2</u>	<u>1,242.0</u>	<u>456.2</u>
Total Expenditures and Other Uses	<u>16,794.1</u>	<u>17,924.9</u>	<u>19,002.3</u>	<u>20,606.5</u>	<u>21,646.6</u>	<u>21,879.0</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>136.7</u>	<u>446.4</u>	<u>221.0</u>	<u>798.1</u>	<u>(79.7)</u>	<u>382.0</u>
Transfer of Excess to Capital Projects Fund	---	---	---	---	---	175.5 (3)(4)
Net Balance	---	---	---	---	---	206.5 (3)
<u>Ending Fund Balances</u>						
Reserved or Designated	128.1	263.4	225.1	286.3	330.2	209.5
Tax Reduction Fund	--	231.7	91.8	367.7	6.8	123.3
Stabilization Fund	425.4	543.3	799.3	1,159.6	1,388.5	1,623.1
Undesignated	<u>172.5</u>	<u>134.0</u>	<u>277.8</u>	<u>378.5</u>	<u>386.9</u>	<u>363.2</u>
Total	<u>\$ 726.0</u>	<u>\$ 1,172.4</u>	<u>\$ 1,394.0</u>	<u>\$ 2,192.1</u>	<u>\$ 2,112.4</u>	<u>\$ 2,319.1</u>

SOURCE: Fiscal 1995-1999, Office of the Comptroller, fiscal 2000, Executive Office for Administration and Finance.

1. Totals may not add due to rounding.
2. The fund balance restatement for fiscal 1997 is the result of the reclassification of the Drug Analysis Fund from a non-budgeted fund to a budgeted fund.
3. Does not reflect the provisions of recently enacted legislation to use surplus revenues to retire debt. See "COMMONWEALTH CAPITAL SPENDING - Central Artery/Ted Williams Tunnel Project" and the March Information Statement under the heading "2000 FISCAL YEAR."
4. The amount of any Capital Projects Fund transfer will be determined by the Comptroller when the books are closed for fiscal 2000 on October 31, 2000. After the books are closed, such amount will be treated as an interfund transfer to non-budgeted funds and other uses.

## COMMONWEALTH CAPITAL SPENDING

### Central Artery/Ted Williams Tunnel Project

On March 15, 2000 the Massachusetts Turnpike Authority filed with the Federal Highway Administration a finance plan update for the Central Artery/Ted Williams Tunnel project describing the components of the additional project cash needs of \$1.398 billion, expected total cash outlays of \$13.064 billion and the Governor's proposed funding plan. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project." The plan contained the same cash flow projections set forth in the March Information Statement. The plan included as an appendix an interim cost validation report by the consultants that had been retained by the Turnpike Authority to undertake an independent assessment of its findings. The consultants analyzed only the estimates related to design and construction costs, which amounted to \$975 million of the \$1.398 billion total. The consultants reported that the \$975 million assessment was realistic but also indicated that they had identified risk areas of potential additional costs totaling approximately \$300 million.

On April 11, 2000 the U. S. Secretary of Transportation released a report dated March 31, 2000 that had been prepared by a task force of federal officials pursuant to the action plan that the Secretary had announced on February 17, 2000. The task force report stated that senior management of the Central Artery/Ted Williams Tunnel project had deliberately withheld information about cost overruns from the Federal Highway Administration and recommended a change in project leadership, as well as an evaluation of whether the Massachusetts Turnpike Authority should continue to be responsible for the management of the project. The report validated the methodology used by the Turnpike Authority to identify the potential \$1.4 billion cost overrun as realistic and consistent with normal industry practice, but stated that there were risks that could lead to cost exposures in addition to those identified in the March 15, 2000 finance plan update in the range of \$300 million to \$480 million. The task force estimated that a realistic total cost estimate for the project was \$13.4 billion to \$13.6 billion. The report stated that the Commonwealth appeared to have adequate resources to finance the additional costs but had not yet identified precisely how it would do so, noting that several of the elements in the Governor's proposed funding plan did not appear to have state legislative support. Upon receiving the report, the Governor requested and received the resignation of the chairman of the Turnpike Authority and appointed a new chairman.

On May 8, 2000 the Massachusetts Turnpike Authority received a letter from the Federal Highway Administration stating that it could not accept the March 15, 2000 finance plan update as filed. The letter indicated that the most critical issue to resolve was the identification of new funding resources and said that if sufficient new funding sources were not made available by the approval of appropriate legislation by May 19, 2000, the federal government would withhold additional "obligation authority" for the project. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING – Federal Highway Funding." The letter further stated that prior to May 19, 2000 any use of obligation authority would be available only for work that could not be deferred without cost increases. (Obligation authority has since been reinstated.) In addition, the letter stated that a completely revised finance plan update had to be submitted by June 16, 2000. Finally, the letter provided that total obligation authority for the project would be limited to the amount described in the March 15, 2000 finance plan update (\$7.049 billion plus grant anticipation notes of \$1.5 billion), and "advance construction" authorizations for the project would be limited to the amount specified in previously accepted finance plan updates (the existing balance, which was approximately \$2.864 billion at the end of fiscal 1999, plus \$222 million). Under federal highway funding statutes, the "advance construction" approach allows states, with Federal Highway Administration approval, to begin a project before amassing all of the obligation authority needed to cover the federal share of that project, and the Commonwealth has used this approach extensively for the Central Artery/Ted Williams Tunnel project. The limits on obligation authority and advance construction authorizations contained in the letter are consistent with the amount of federal funding contemplated in connection with a total project cost of \$11.667 billion, meaning that all additional costs will have to be met with non-federal funds. According to the May 8, 2000 letter, the revised finance plan update must provide for funding resources consistent with total project costs in excess of \$13.1 billion, as indicated by the higher estimates described in the March 31, 2000 federal task force report and the independent cost validation report appended to the March 15, 2000 finance plan, and must provide for full funding of a balanced statewide road and bridge program.



The Executive Office for Administration and Finance has engaged the services of an independent consulting and accounting firm to review costs associated with the Central Artery/Ted Williams Tunnel project and expects to receive the results of the firm's review by the end of July, 2000.

On May 8, 2000 the Subcommittee on Transportation and Related Agencies of the Committee on Appropriations of the U. S. House of Representatives approved an amendment to the appropriations bill for the U. S. Department of Transportation for the federal fiscal year beginning on October 1, 2000 that would prohibit federal officials from authorizing project approvals or advance construction authority for the Central Artery/Ted Williams Tunnel project. Such legislation was approved by the full Appropriations Committee on May 16, 2000 and by the full House of Representatives on May 19, 2000. On June 15, 2000 the U. S. Senate approved its version of the appropriations bill, including an amendment that would prohibit such federal officials from authorizing project approvals or advance construction authority until the U. S. Secretary of Transportation and the Commonwealth have entered into a written agreement limiting total federal contributions to the project to not more than \$8.549 billion. The \$8.549 billion limit is in the same amount as the limit imposed by the Federal Highway Administration in the May 8, 2000 letter described above and is consistent with the finance plan update filed June 16, 2000 and described below.

On May 17, 2000 the Governor approved legislation to provide financing for the additional costs of the Central Artery/Ted Williams Tunnel project and for the statewide road and bridge program. The legislation authorizes approximately \$1.520 billion of Commonwealth bonds, which may be issued as general obligations or as special obligations payable from the gasoline tax and, in the case of \$1.35 billion, from Highway Fund revenues generally. The legislation reinstates certain fees collected by the Registry of Motor Vehicles which will be credited to the Highway Fund and which are expected to generate approximately \$100 million per year to offset debt service costs associated with the foregoing bonds. (Legislation clarifying that such fees may be pledged to secure special obligation bonds has been approved by both houses of the Legislature and enacted by the House but has not yet been enacted by the Senate or approved by the Governor.) The legislation also provides for the sale of a highway exit ramp by the Commonwealth to the Massachusetts Port Authority in exchange for \$65 million (by December 31, 2000 with a possible six-month extension) and for the additional payment to the Commonwealth by the Massachusetts Turnpike Authority of \$200 million by September 1, 2000. Such moneys would be deposited in a new Central Artery and Statewide Road and Bridge Infrastructure Fund and used to pay additional costs of the Central Artery/Ted Williams Tunnel project and to fund the statewide road and bridge program to the extent of at least \$100 million per year for each of fiscal years 2001 through 2005. In addition the legislation authorizes up to \$650 million to be deposited in the Debt Defeasance Trust Fund (up to \$500 million from surplus fiscal 2001 revenues and up to \$150 million from accumulated surpluses from fiscal years 1997, 1998 and 1999 which are now credited to the Capital Projects Fund), where such moneys are to be used by December 31, 2000 to establish a sinking fund to retire certain Commonwealth bonds, or bonds issued prior to June 30, 2000 by other state agencies or authorities, at maturity. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Cash Defeasance." During each of the next five fiscal years, an amount equal to the amount that would otherwise have been appropriated for debt service on the defeased Commonwealth bonds is to be transferred by the Comptroller from the applicable budgetary operating funds to the Central Artery and Statewide Road and Bridge Infrastructure Fund. In the case of defeased bonds issued by other state agencies or authorities, such agencies or authorities are required to pay over to the Commonwealth, for transfer to the Fund, the amounts that they would have otherwise paid for debt service.

On June 16, 2000 the Massachusetts Turnpike Authority filed with the Federal Highway Administration a finance plan update identifying total project costs, expressed as cash needs through completion in 2004, of \$13.513 billion. This cost figure is based upon the previously identified project cash requirement of \$11.667 billion, plus \$1.846 billion in additional costs. The estimate of additional costs is \$448 million higher than the revised estimates released on February 1, 2000 but is consistent with the range of estimated additional costs contained in the March 31, 2000 federal task force report. The revised estimate of additional costs includes \$442 million (rather than \$302 million in the February 1 estimates) for change orders related to existing contracts, \$529 million (rather than \$321 million) in increased estimates for contracts yet to be awarded, \$292 million (same as before) in additional costs required to maintain the project's scheduled milestones and completion date in 2004, \$299 million (rather than \$260 million) for additional project management expenses, \$107 million (rather than \$90 million) in previously unanticipated expenses related to utility, transportation and other service contracts, \$88 million (rather than \$72 million) in additional right-of-way acquisition costs and \$88 million (rather than \$60 million) for additional

design services. Two major changes in assumptions account for the bulk of the increases. Potential change orders are estimated in the June 16 update at higher percentages of the contract price than in the past, and the market discount rate assumed for unawarded contracts is lower. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project; *Revised cost estimates.*" In addition, the cost of Turnpike Authority employees working directly for the project has been included as a project cost in the June 16 update, adding \$39 million, and a Turnpike Authority garage and surface restoration that had been classified as non-project costs have been reclassified as project costs, adding \$53 million.

The funding sources identified in the June 16, 2000 finance plan update to defray the \$1.846 billion in additional costs are the same as those included in the legislation approved by the Governor on May 17, 2000. The Turnpike Authority is expected to finance the \$53 million garage project and surface restoration from its own resources, as previously planned.

The table below provides cash flow estimates that are consistent with the revised project cost estimates contained in the June 16, 2000 finance plan update and extend to fiscal 2005, when the project is expected to be completed. Given the uncertainties inherent in day-to-day management of contract bids and change orders, the timing of the project's cash flow needs cannot be determined with precision. The table assumes enactment by the end of July of certain provisions in the transportation bond bill currently pending in the Legislature. See "Proposed Capital Spending Authorizations." The companion table included in the March Information Statement under the caption "Interim Debt Schedule" has not been updated and should be disregarded. It has been the Commonwealth's practice to finance the cash needs of the project out of general revenues when necessary in anticipation of federal and other third-party payments, and such practice is expected to continue. If necessary, the Commonwealth retains the legal authority to issue bond anticipation notes for such purpose.

**Central Artery Construction Cash Flow**  
(in thousands)(1)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Totals</u>
<b>Project Construction Uses:</b>	<u>\$ 1,634,948(6)</u>	<u>\$ 1,894,569</u>	<u>\$ 1,079,910</u>	<u>\$ 661,788</u>	<u>\$ 431,942</u>	<u>\$ 133,391</u>	<u>\$ 5,836,548</u>
<b>Project Construction Sources:</b>							
Federal highway reimbursements (2)	381,857	545,300	377,405	289,133	182,991	37,133	1,813,819
Commonwealth GO Bonds/Notes (3)	225,000	251,000	170,505	61,998	25,888	23,258	757,649
Third Party Contributions (4)	455,577	123,676	53,000	10,657	18,063	0	660,973
GANs	554,630	238,594	0	0	0	0	793,224
Transportation Infrastructure Fund (5)	<u>0</u>	<u>736,000</u>	<u>479,000</u>	<u>300,000</u>	<u>205,000</u>	<u>73,000</u>	<u>1,793,000</u>
<b>Total Sources</b>	<u>\$ 1,634,948(6)</u>	<u>\$ 1,894,569</u>	<u>\$ 1,079,910</u>	<u>\$ 661,788</u>	<u>\$ 431,942</u>	<u>\$ 133,391</u>	<u>\$ 5,836,548</u>

SOURCE: Executive Office for Administration and Finance and Massachusetts Turnpike Authority.

1. Totals may not add due to rounding.
2. Assumes TEA-21 apportionment.
3. Does not include bonds or notes authorized by May 17, 2000 legislation, which are included in the Transportation Infrastructure Fund line. Fiscal 2001 figure includes \$45 million in anticipated pay-as-you-go funding and interest earnings thereon.
4. Payments to be received from the Turnpike Authority and the Port Authority, including an additional \$53 million to be received from the Turnpike Authority as described in the June 16, 2000 finance plan update, but excluding payments to be received from the Turnpike Authority and the Port Authority as required by the May 17, 2000 legislation (the latter payments are included in the Transportation Infrastructure Fund line). The fiscal year amounts assume that the Commonwealth will finance costs in anticipation of such receipts through cash advances funded by general revenues or through the issuance of interim debt, if necessary.
5. Central Artery and Statewide Road and Bridge Transportation Infrastructure Fund established pursuant to legislation approved by the Governor on May 17, 2000, as described above. Includes \$200 million to be received from the Turnpike Authority and \$65 million to be received from the Port Authority.
6. As of January 1, 2000. As of April 30, 2000, fiscal expenditures for fiscal 2000 were estimated to be approximately \$1.520 billion, with the balance of \$115 million expected to be expended in subsequent years.



## Update of Proposed Capital Spending Authorizations

The fiscal 2001 budget approved by the House of Representatives on April 14, 2000 includes a \$750 million Commonwealth bond authorization to finance \$400 million in road and bridge repairs throughout the state not related to the Central Artery/Ted Williams Tunnel project, to provide \$150 million in additional capital to the Massachusetts Water Pollution Abatement Trust (see the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Commonwealth-Supported Debt; *Massachusetts Water Pollution Abatement Trust*), to provide \$75 million to capitalize a revolving loan program for local school construction to be administered by the Massachusetts School Building Authority (see the March Information Statement under the heading "2001 FISCAL YEAR"), to fund \$75 million in matching grants to be made by the Department of Education (\$25 million per year in fiscal 2001 through fiscal 2003) to local school districts for educational technology and to finance \$50 million in public housing renovations. The bonds would be required to mature by December 31, 2005 and would be payable from a dedicated portion of income taxes received during fiscal 2001 through fiscal 2006, which would be deposited in the Commonwealth Bridge Loan Fund established by the legislation. The bonds could be issued as general obligations of the Commonwealth or as special obligations payable solely from the dedicated income tax receipts, as determined by the State Treasurer after consultation with the Secretary of Administration and Finance.

The fiscal 2001 budget approved by the Senate on May 25, 2000 would establish a new Capital Needs Investment Trust Fund, in which \$45 million of income tax receipts would be deposited in each of fiscal years 2001 through 2005 for pay-as-you-go capital spending. Of the \$45 million, \$20 million would be deposited each year in a new Affordable Housing Trust Fund, where it would be available for expenditure by the Board of Directors of the Massachusetts Housing Partnership Fund to assist in the creation and preservation of affordable housing, \$11 million would be used by the Department of Education for statewide technology systems and grants to local school districts for educational technology, \$9 million would be used by the Division of Capital Asset Management and Maintenance for scheduled and deferred maintenance of state property and \$5 million would be used by the Division for the redevelopment of state facilities formerly operated by human service agencies.

The cash flow tables for the Central Artery/Ted Williams Tunnel project included in the March Information Statement assumed enactment by early March of certain provisions in the transportation bond bill currently pending in the Legislature. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project; *Project cash flow*." Because the transportation bond bill was not enacted by such date, the Massachusetts Turnpike Authority committed some of its own resources on an interim basis to the funding of new contracts and existing contract modifications in order to avoid delays in construction. The funding legislation approved by the Governor on May 17, 2000 may also give the Turnpike Authority some additional flexibility in this regard. The Turnpike Authority now estimates that failure by the Legislature to enact the transportation bond bill by the end of July could adversely affect the project's timetable.

## LEGAL MATTERS

### Update of Existing Litigation

In *Lopez v. Board of Education, et al.* the Supreme Judicial Court for Suffolk County on March 21, 2000 declared that the Legislature had taken appropriate steps within a reasonable time to implement education reform. The plaintiffs have filed a notice of appeal to the full Supreme Judicial Court.

In *The First National Bank of Boston v. Commissioner of Revenue*, the Department of Revenue refunded \$35.3 million in April, 2000 to the First National Bank of Boston for tax year 1993 for reasons unrelated to the claims against the Department of Revenue. The bank has accordingly withdrawn all of its claims for tax year 1993. The Department of Revenue estimates that the amount of abatement sought by the bank for tax year 1994, including interest, could total \$119 million.

In *United States v. MWRA*, the court ruled on May 5, 2000 that the MWRA does not need to build a filtration system based on a finding that ozonation treatment and improvement of the Wachusett watershed are sufficient actions at this time.

In *Valerie Anderson v. Cellucci*, the named plaintiff of the case has been changed from Anderson to Boulet.

*Shea v. Commonwealth* has been settled for \$5,750,000.

## SEC Investigation

On May 8, 2000 the State Treasurer's office was advised that the staff of the Securities and Exchange Commission is conducting a formal investigation in the matter of "Certain Municipal Securities/Massachusetts Central Artery (B-1610)," pursuant to a formal order of private investigation issued by the Commission.

## COMMONWEALTH BOND AND NOTE LIABILITIES

The following table sets forth the Commonwealth bond and note liabilities outstanding as of April 1, 2000.

Commonwealth Bond and Note Liabilities April 1, 2000 (in thousands)		
	<u>Long-Term</u>	<u>Short-Term</u>
<b>COMMONWEALTH DEBT</b>		
General Obligation Debt	\$ 10,274,086(1)	0
Special Obligation Debt	585,730	0
Federal Grant Anticipation Notes	<u>921,720</u>	<u>0</u>
Subtotal Commonwealth Debt	11,781,536(2)	0
<b>COMMONWEALTH-SUPPORTED DEBT</b>		
Massachusetts Bay Transportation Authority	3,710,915(3)	\$ 160,000(4)
Massachusetts Convention Center Authority	72,214	0
Massachusetts Development Finance Agency	80,000	0
Boston Metropolitan District	33,471	0
Steamship Authority	44,039	0
Regional Transit Authorities	<u>0</u>	<u>76,106</u>
Subtotal Supported Debt	3,940,639	236,106
<b>COMMONWEALTH-GUARANTEED DEBT</b>		
Higher Education Building Authorities	<u>214,891</u>	<u>0</u>
Subtotal Guaranteed Debt	214,891	0
<b>TOTAL COMMONWEALTH BOND AND NOTE LIABILITIES</b>	<u><b>\$ 15,937,066</b></u>	<u><b>\$ 236,106</b></u>

SOURCE: Office of the State Treasurer, Office of the Comptroller and respective authorities and agencies.

- (1) Long-term debt includes discount and costs of issuance. Does not include long-term capital lease obligations. See the March Information Statement under the heading "Indirect Obligations; *Plymouth County Certificates of Participation*" and "OTHER COMMONWEALTH LIABILITIES – Long-Term Capital Leases." Includes interest on Commonwealth general obligation capital appreciation bonds to be accrued from April 1, 2000 through their maturity in the amount of \$240.6 million. The Commonwealth sold \$740,305,000 of general obligation bonds on June 15, 2000 which are expected to be delivered on June 28, 2000.
- (2) Includes capital appreciation interest on Federal Highway Grant Anticipation Notes accrued from April 1, 2000 through their maturity in the amount of \$46.2 million.
- (3) Includes bonds and refunding bonds, excluding such bonds that have been refunded. Does not include certificates of participation and other long-term lease obligations. Because of legislation enacted in November, 1999 that restructured the finances of the Massachusetts Bay Transportation Authority, the Commonwealth will, beginning in fiscal 2001, no longer make direct debt service payments on the MBTA's bonds, but the Commonwealth will remain obligated to pay the debt service on MBTA bonds issued prior to July 1, 2000 if the MBTA cannot. See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority."
- (4) Notes due September 1, 2000, which are expected to be retired by the Commonwealth pursuant to legislation enacted in November, 1999 to restructure the finances of the Massachusetts Bay Transportation Authority. See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority."

## Maturities of Short-Term Debt

The following table sets forth the maturities of the Commonwealth's short-term liabilities outstanding as of April 1, 2000.

**Maturities of Short-Term Liabilities**  
**April 1, 2000**  
(in thousands)

<u>Year Due</u>	<u>MBTA</u>	<u>Regional Transit Authorities</u>	<u>Total</u>
Fiscal 2000	\$ 0	\$19,635	\$ 19,635
Fiscal 2001	<u>160,000</u>	<u>56,471</u>	<u>216,471</u>
Total	<u>\$160,000</u>	<u>\$76,106</u>	<u>\$236,106</u>

SOURCE: Office of the State Treasurer and respective authorities and agencies.

**Statutory Debt Limit on Direct Debt**

The statutory limit on "direct" bonds during fiscal year 2000 is \$10,549,031,869. The outstanding Commonwealth debt amounts excluded from the limit as of April 1, 2000 are shown in the table below (see the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Statutory Debt Limit on Direct Debt"):

**Calculation of the Debt Limit**  
(amount in thousands)

	<u>Bonds Outstanding</u>
Balance as of April 1, 2000	\$11,781,536
Less amounts excluded:	
Discount and issuance costs	(388,388)
Federal grant anticipation notes	(899,991)
Assumed county debt	(2,105)
Chapter 5 of the Acts of 1991 refunding bonds	(114,761)
Special obligation bonds	(582,410)
Bonds to retire MBTA notes	<u>(165,000)</u>
Outstanding Direct Debt	<u>\$ 9,628,881</u>

SOURCE: Office of the Comptroller.

**Debt Service Requirements on Commonwealth Bonds**

The following table sets forth, as of April 1, 2000, the annual fiscal year debt service requirements on outstanding Commonwealth general obligation bonds, special obligation bonds and federal grant anticipation notes. For variable rate bonds with respect to which the Commonwealth is a fixed-rate payor under an associated interest rate exchange agreement, the debt service schedule assumes payment of the fixed rate due under such agreement. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Synthetic Fixed Rate Bonds."



**Debt Service Requirements on Commonwealth Bonds**  
**April 1, 2000**  
(in thousands)(1)

General Obligation Bonds				Federal Grant Anticipation Notes			Special Obligation Bonds			Total Debt Service Commonwealth Bonds
Fiscal Year	Principal	Interest on CABS at Maturity	Current Interest	Sub Total	Principal	Interest	Sub Total	Principal	Interest	Sub Total
2000	\$ 98,569	\$ 18,926	\$ 71,444	\$ 188,939	-	\$ 21,285	\$ 21,285	\$ 21,245	\$ 15,439	\$ 36,684
2001	679,958	14,122	491,798	1,185,878	-	42,570	42,570	22,290	29,830	52,120
2002	615,240	45,416	456,733	1,117,388	-	42,570	42,570	23,415	28,708	52,123
2003	626,246	48,650	426,855	1,101,751	-	42,570	42,570	24,865	27,258	52,123
2004	611,824	68,020	397,266	1,077,110	-	42,570	42,570	26,070	26,051	52,121
2005	679,048	9,338	366,779	1,055,166	-	42,570	42,570	27,370	24,758	52,128
2006	699,808	4,164	332,527	1,036,499	\$ 73,165	41,733	114,898	28,805	23,315	52,120
2007	713,750	4,588	296,130	1,014,468	76,785	38,114	114,899	30,350	21,774	52,124
2008	706,126	4,896	261,096	972,118	80,580	34,319	114,899	31,995	20,126	52,121
2009	697,884	5,705	222,961	926,551	84,840	30,061	114,901	33,675	18,444	52,119
2010	631,173	5,344	186,766	823,283	89,160	25,741	114,901	35,335	16,791	52,126
2011	635,071	5,857	152,982	793,910	93,715	21,180	114,895	37,300	14,829	52,129
2012	482,682	5,952	118,738	607,372	98,640	16,260	114,900	39,320	12,813	52,133
2013	484,986	6,742	93,383	585,112	102,985	11,913	114,898	41,470	10,650	52,120
2014	373,498	4,684	72,951	451,132	108,495	6,405	114,900	37,530	8,369	45,899
2015	360,455	3,915	53,636	418,006	113,355	1,544	114,899	39,455	6,440	45,895
2016	324,327	2,604	37,476	364,406	-	-	-	41,530	4,368	45,898
2017	242,520	1,344	24,794	268,658	-	-	-	43,710	2,186	45,896
2018	179,832	623	14,530	194,985	-	-	-	-	-	-
2019	121,809	192	6,928	128,929	-	-	-	-	-	-
2020 and thereafter	48,175	22	2,689	50,886	-	-	-	-	-	-
<b>TOTAL</b>	<b>\$10,012,981</b>	<b>\$261,105</b>	<b>\$4,088,462</b>	<b>\$14,362,548</b>	<b>\$921,720</b>	<b>\$461,404</b>	<b>\$1,383,124</b>	<b>\$585,730</b>	<b>\$312,147</b>	<b>\$897,877</b>
										<b>\$ 246,908</b>
										1,280,568
										1,212,081
										1,196,444
										1,171,801
										1,149,864
										1,203,517
										1,181,491
										1,139,138
										1,093,571
										990,310
										960,934
										774,404
										752,130
										611,931
										578,800
										410,304
										314,553
										194,985
										128,929

SOURCE: Office of the State Treasurer and Office of the Comptroller.

(1) Totals may not add due to rounding.

## OTHER COMMONWEALTH LIABILITIES

### Pension Funding Schedule and Actuarial Valuations

The funding schedule filed by the Secretary of Administration and Finance on March 1, 2000 has been deemed approved by the Legislature, although the House Committee on Ways and Means has indicated to the Secretary that it has concerns about some of the assumptions and is awaiting the results of the experience study referred to below. See the March Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES – Retirement Systems and Pension Benefits; *Current Funding Schedule and Actuarial Valuations*."

On May 18, 2000 the Pension Reserves Investment Management (PRIM) Board informed the Public Employee Retirement Administration Commission (PERAC) that the PRIM Board consultants, based on discussions with PERAC's actuary had substantially revised their estimates contained in the report presented to the PRIM Board on November 23, 1999. See the March Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES – Retirement Systems and Pension Benefits; *Current Funding Schedule and Actuarial Valuations*." In November, 1999 the consultants had indicated that the impact of their preliminary experience study could be as much as \$2 billion in additional unfunded actuarial liability; the revised estimate is \$200 million. PERAC continues to expect its experience study to be completed by the end of the summer of 2000.

The fiscal 2001 budget approved by the House of Representatives on April 14, 2000 directs the Public Employee Retirement Administration Commission by November 1, 2000 to perform an experience study and to update its valuation of the assets in the state pension systems. The assets are to be valued at an amount not exceeding 91% of market value as of January 1, 2000. The House budget provisions call for the Secretary of Administration and Finance to prepare a revised triennial pension funding schedule by December 1, 2000 which would amortize the unfunded pension liability by fiscal year 2018 and which will require payments in fiscal 2002 at least equal to the current schedule. The valuation report and revised schedules are to be based upon certain prescribed assumptions, including a projected rate of return on investments of 8.25% and projected wage inflation of 6%.

### Unemployment Compensation Trust Fund

The assets and liabilities of the Commonwealth Unemployment Compensation Trust Fund are not assets and liabilities of the Commonwealth. As of May 31, 2000 the private contributory sector of the Massachusetts Unemployment Trust Fund had a surplus of \$1.996 billion. The Division of Employment and Training's April, 2000 quarterly report indicated that the contributions provided by current law should increase reserves in the system to \$2.335 billion by the end of 2004. See Exhibit A, "Economic Information," under the heading "Employment – Unemployment Compensation Trust Fund."

## AVAILABILITY OF OTHER INFORMATION

Questions regarding this Supplement or the March Information Statement or requests for additional financial information concerning the Commonwealth should be directed to Jeffrey S. Stearns, Deputy Treasurer, Office of the Treasurer-Receiver General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone 617/367-3900 (x 564), or Paul E. Ladd, Assistant Secretary for Capital Resources and Chief Development Officer, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone 617/727-2040. Questions regarding legal matters relating to this Supplement or the March Information Statement should be directed to John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone 617/542-6000.

## THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Shannon P. O'Brien  
Shannon P. O'Brien  
Treasurer and Receiver-General

By /s/ Stephen P. Crosby  
Stephen P. Crosby  
Secretary of Administration and Finance

June 21, 2000

TRADOCS:1344756.2(stmc02!.DOC)



[THIS PAGE INTENTIONALLY LEFT BLANK]

## FORM OF BOND COUNSEL OPINION

## PALMER &amp; DODGE LLP

ONE BEACON STREET, BOSTON, MA 02108-3190

TELEPHONE: (617) 573-0100

FACSIMILE: (617) 227-4420

June 29, 2000

Town of Foxborough, Massachusetts  
Foxborough, Massachusetts 02035

(Town of Foxborough, Massachusetts  
Foxboro Stadium Infrastructure Improvement Bonds)

We have acted as Bond Counsel to the Town of Foxborough, Massachusetts (the "Town"), in connection with the issuance by the Town, acting by and through its Industrial Development Financing Authority (the "Authority" and collectively with the Town, the "Issuer"), of \$69,810,000 aggregate principal amount of Foxboro Stadium Infrastructure Improvement Bonds, dated June 1, 2000 (the "Bonds"). The Bonds are issued pursuant to Chapter 16 of the Acts of 1999 of The Commonwealth of Massachusetts (the "Commonwealth"), as amended (the "Act"), and under and pursuant to the Trust Indenture dated as of June 1, 2000 (the "Trust Indenture") between the Issuer and The Chase Manhattan Bank (the "Trustee").

We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion, including the Act, the Trust Indenture and the Contract for Financial Assistance dated as of June 1, 2000 (the "Contract") between the Issuer and the Commonwealth.

As to questions of fact material to our opinion we have relied on representations of the Issuer and the Commonwealth contained in the Trust Indenture and the Contract and the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

The Bonds are payable solely from the Trust Assets (as defined in the Trust Indenture) created by the Trust Indenture, consisting of the assigned rights of the Issuer to receive contract assistance payments from the Commonwealth under the Contract in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds, and other funds specifically pledged for the payment of the Bonds under the Trust Indenture. The Bonds are not a general obligation of the Town or of the Commonwealth.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows:

Town of Foxborough, Massachusetts

June 29, 2000

Page 2

1. The Town is a validly existing political subdivision of the Commonwealth and the Authority has been duly organized and is validly existing under Massachusetts General Laws, Chapter 40D, as amended ("Chapter 40D"). The Issuer is authorized and empowered under the Act and Chapter 40D to enter into and perform its obligations under the Trust Indenture and the Contract and to issue the Bonds.

2. The Trust Indenture has been duly authorized, executed and delivered by the Issuer and is a valid and binding agreement of the Town enforceable in accordance with its terms.

3. The Trust Indenture creates a valid lien on the Trust Assets (as defined in the Trust Indenture) pledged by the Indenture for the security of the Bonds.

4. The Bonds have been duly authorized, executed and delivered by the Town pursuant to the Act and the Trust Indenture and are valid and binding special obligations of the Town, enforceable in accordance with their terms, payable solely from the sources provided therefor in the Trust Indenture.

5. The Contract has been duly authorized, executed and delivered by the Issuer and the Commonwealth and is a valid and binding agreement of the Issuer and the Commonwealth enforceable in accordance with its terms. The obligation of the Commonwealth to make Contract Assistance Payments (as defined in the Contract) pursuant to, and in accordance with, the Contract is a general obligation of the Commonwealth, and the full faith and credit of the Commonwealth are pledged to make such Contract Assistance Payments. It should be noted, however, that Chapter 62F of the General Laws of the Commonwealth establishes a state tax revenue growth limit and does not exclude the Commonwealth's Contract Assistance Payments from the scope of the limit.

6. Under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds will not be treated as a preference item in calculating the alternative minimum tax imposed under the Internal Revenue Code of 1986 (the "IRC") on individuals and corporations. However, we call your attention to the fact that interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). We also call your attention to the fact that failure by the Issuer and the Commonwealth to comply subsequent to the issuance of the Bonds with certain requirements of the IRC regarding the use, expenditure and investment of



bond proceeds and the payment of rebates to the United States may cause interest on the Bonds to become includable in the gross income of the recipients thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. The Issuer, and to the extent necessary, the Commonwealth have covenanted to take all lawful action necessary under the IRC to ensure that interest on the Bonds will remain excluded from the gross income of the owners of the Bonds for federal income tax purposes and to refrain from taking any action which would cause interest on the Bonds to become included in such gross income. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

7. Under existing law, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

8. The Bonds are exempt from registration under the Securities Act of 1933 and the Massachusetts Uniform Securities Act, and the Trust Indenture is exempt from qualification under the Trust Indenture Act of 1939.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Trust Indenture and the Contract may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Yours faithfully,

[THIS PAGE INTENTIONALLY LEFT BLANK]

## SUMMARY OF CONTINUING DISCLOSURE UNDERTAKINGS

Town of Foxborough, Massachusetts  
 Foxboro Stadium Infrastructure Improvement Bonds  
 (the "Bonds")

Town Disclosure Agreement

On behalf of the Town of Foxborough, Massachusetts (the "Town"), its Industrial Development Financing Authority (the "Authority") hereby undertakes for the benefit of the registered owners and Beneficial Owners (the "owners") of the Bonds to provide to each nationally recognized municipal securities information repository (each, a "NRMSIR") within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") and to the state information depository for The Commonwealth of Massachusetts (the "Commonwealth"), if any (the "SID"), within the meaning of the Rule, notice of any of the following events with respect to the Bonds (numbered in accordance with the provisions of the Rule), if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties<sup>1</sup>;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to the rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities and
- (xi) rating changes.

Nothing herein shall preclude the Town from disseminating any information in addition to that required hereunder. If the Town disseminates any such additional information, nothing herein shall obligate the Town to update such information or include it in any future materials disseminated.

To the extent permitted by law, the foregoing undertaking to provide information shall be enforceable against the Town in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Authority). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Town and to compel the Town and any of its officers, agents or employees to perform and carry out their duties under the foregoing provisions as aforesaid; provided, however, that the sole remedy in connection with such undertaking shall be limited to an action to compel specific performance of the obligations of the Town in connection with such undertaking and shall not include any rights to monetary damages. The Town's obligations in respect of such undertaking shall terminate if

---

<sup>1</sup> Not applicable to the Bonds because there is no debt service reserve fund securing the Bonds.



no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer effective, whichever occurs first. The provisions of this undertaking may be amended by the Authority, without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertaking and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Town for the benefit of the owners of Bonds, or (d) to otherwise modify the undertaking in a manner consistent with the provisions of state legislation establishing the SID or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Town (such as Town bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

#### Commonwealth Disclosure Agreement

Prior to the issuance of the Bonds, the Town and the Commonwealth, acting by and through the Treasurer and Receiver-General of the Commonwealth, will undertake for the benefit of the owners of the Bonds to provide to each NRMSIR within the meaning of Rule and to the SID, within the meaning of the Rule, no later than 270 days after the end of each fiscal year of the Commonwealth (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to each NRMSIR and the SID when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth's failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth's Information Statement dated March 3, 2000 (the "Information Statement") as it appears as Appendix A in the Official Statement dated March 3, 2000 of the Massachusetts Bay Transportation Authority with respect to its General Transportation System Bonds, Variable Rate Demand Obligations, 2000 Series, and in each case substantially in the same level of detail as is found in the referenced section of the Information Statement:

<b>Financial Information and Operating Data Category</b>	<b>Reference to Information Statement for Level of Detail</b>
1. Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year, plus estimates for current fiscal year	"FINANCIAL RESULTS - Selected Financial Data - Statutory Basis"
2. Summary presentation on GAAP and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year	"FINANCIAL RESULTS - Selected Financial Data - GAAP Basis"
3. Summary presentation of actual revenues in budgeted operating funds on five-year comparative basis, concluding with prior fiscal year, plus estimates for current fiscal year	"COMMONWEALTH REVENUES - Distribution of Revenues"

<b>Financial Information and Operating Data Category</b>	<b>Reference to Information Statement for Level of Detail</b>
4. So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	"COMMONWEALTH REVENUES - Limitations on Tax Revenues"
5. Summary presentation of budgeted expenditures by selected, then-current major categories on five-year comparative basis and estimated expenditures for current fiscal year	"COMMONWEALTH PROGRAMS AND SERVICES"
6. So long as Commonwealth statutes impose a limit on appropriations for debt service, information as to compliance therewith for the prior fiscal year and an estimate for the current fiscal year	"COMMONWEALTH CAPITAL SPENDING - Five-Year Capital Spending Plan"
7. If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	"COMMONWEALTH PROGRAMS AND SERVICES - State Workforce"
8. Statement of Commonwealth bond and note liabilities as of the end of the prior fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Overview - Outstanding Bond and Note Liabilities"
9. Five-year comparative presentation of long term Commonwealth debt and selected Commonwealth-supported debt as of the end of the prior fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Overview - Long Term Bond Liabilities"
10. Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Debt Service Requirements on Commonwealth Bonds"
11. So long as Commonwealth statutes impose a limit on the amount of outstanding "direct" bonds, information as to compliance therewith as of the end of the prior fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Statutory Debt Limit on Direct Bonds"
12. Five-year summary presentation of authorized but unissued general obligation debt and actual capital project expenditures	"COMMONWEALTH BOND AND NOTE LIABILITIES - Authorized But Unissued Debt"
13. Annual fiscal year debt service contract assistance requirements for Commonwealth-supported debt, beginning with the current fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Debt Service Contract Assistance Requirements on Commonwealth-Supported Debt"
14. Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	"OTHER COMMONWEALTH LIABILITIES - Retirement Systems and Pension Benefits"
15. Summary presentation of operating lease commitments for future fiscal years as of the end of the prior fiscal year	"OTHER COMMONWEALTH LIABILITIES - Long Term Operating Leases"



Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
16. Summary presentation of long-term capital lease for future fiscal years as of the end of the prior fiscal year	"OTHER COMMONWEALTH LIABILITIES - Long Term Capital Leases"
17. Summary presentation of school building assistance program commitments for future fiscal years as of the end of the prior fiscal year	"OTHER COMMONWEALTH LIABILITIES - School Building Assistance"

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Commonwealth, which have been submitted to each NRMSIR. If the document incorporated by reference is a Final Official Statement within the meaning of the Rule, it will also be available from the Municipal Securities Rulemaking Board ("MSRB"). The Commonwealth's annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that demonstrates compliance with the Massachusetts General Laws and other applicable state finance laws, if any, in effect from time to time and (ii) general purpose financial statements prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by a firm of certified public accountants appointed by the Commonwealth.

The Commonwealth Disclosure Agreement also will provide that the Treasurer and Receiver-General of the Commonwealth on behalf of the Commonwealth, undertakes for the benefit of the registered owners and Beneficial Owners of the Bonds to provide in a timely manner to the MSRB and to the SID notice of any change in the credit rating of outstanding general obligation bonds of the Commonwealth.

To the extent permitted by law, the provisions of the Commonwealth Disclosure Agreement shall be enforceable against the Commonwealth in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer and Receiver-General). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Commonwealth and to compel the Commonwealth and any of its officers, agents or employees to perform and carry out their duties under such provisions of the Commonwealth Disclosure Agreement; provided, however, that the sole remedy in connection with violation of the Commonwealth Disclosure Agreement shall be limited to an action to compel specific performance of the obligations of the Commonwealth under the Commonwealth Disclosure Agreement and shall not include any rights to monetary damages. The Commonwealth Disclosure Agreement shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer in effect, whichever occurs first. The Commonwealth Disclosure Agreement may be amended, changed or modified without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such Commonwealth Disclosure Agreement and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Commonwealth for the benefit of the owners of the Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the Commonwealth Disclosure Agreement in a manner consistent with the provisions of state legislation establishing the SID or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Commonwealth (such as Commonwealth disclosure counsel or Commonwealth bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.



[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]





